Annual Report *of the* Federal Security Agency

SECTION FIVE

Social Security Board

1945

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Annual Report
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SECTION
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Social Security Board

FOR THE FISCAL YEAR

1945

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FEDERAL SECURITY AGENCY

WATSON B. MILLER, *Administrator*

SOCIAL SECURITY BOARD

ARTHUR J. ALTMEYER, *Chairman*

GEORGE E. BIGGE

ELLEN S. WOODWARD

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LETTER OF TRANSMITTAL

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY BOARD,
Washington 25, D. C., November 1, 1945.

The Honorable WATSON B. MILLER,
Federal Security Administrator.

DEAR MR. MILLER:

The Social Security Board has the honor to transmit its tenth annual report, for the fiscal year ended June 30, 1945, for submission to the Congress as required by section 704 of the Social Security Act.

During this first decade, the social insurance and assistance programs established under the act have shown themselves to be soundly conceived, practical and economical in operation, and in accordance with the traditions and ideals of the American people. They have proved their importance and value in peace and in war, in depression and in the unprecedented business activity of the years just ended. Throughout these 10 years, in accordance with section 702 of the Social Security Act, the Board has continued to examine methods of correcting weaknesses disclosed in operation of existing provisions of the act and to study ways of developing the more comprehensive structure of social security for which the original law was designed as a foundation. Experience and achievement are now sufficient, the Board believes, to warrant changes that would enable the program to serve even more effectively. Pages 5–9 of this report summarize the Board's recommendations on the changes it considers necessary and feasible at this time to meet immediate problems of the postwar readjustment and basic continuing needs for social security.

Respectfully submitted,

ARTHUR J. ALTMEYER, *Chairman.*
GEORGE E. BIGGE.
ELLEN S. WOODWARD.

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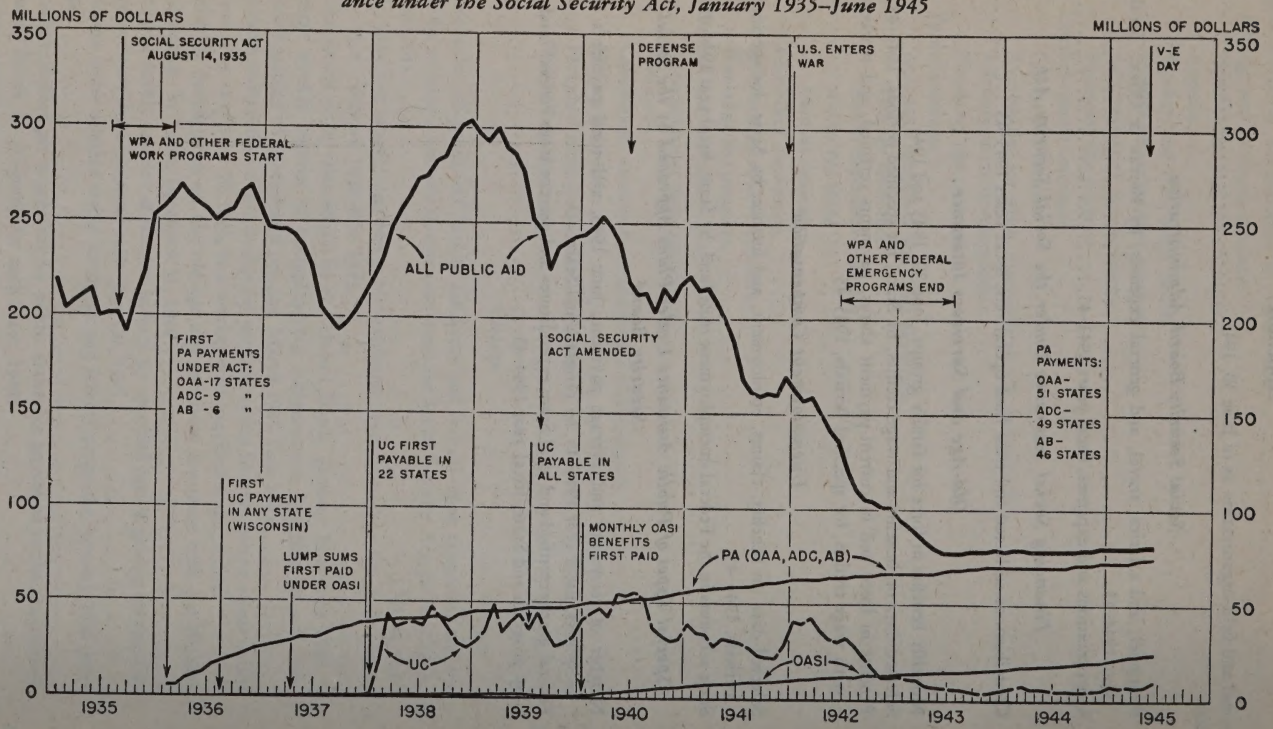
Chart 1.—*Payments for all public aid (public assistance and Federal work programs) and for public assistance and social insurance under the Social Security Act, January 1935–June 1945*



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Facing Forward to Peace

JAPAN'S ACCEPTANCE OF SURRENDER came on the tenth anniversary of the passage of the Social Security Act. Exactly 4 years earlier, the President of the United States and the Prime Minister of Great Britain, in a joint declaration of policy of the English-speaking peoples, had named among their objectives the attainment of economic advancement and social security for all. When war broke upon Pearl Harbor and engulfed both hemispheres and most of the peoples of the world, that goal of a democracy remained high among the ideals for which the United States fought. During the war, as in the preceding years of depression and recovery, the programs instituted under the Social Security Act continued to give some assurance of basic security to millions of American families.

This tenth annual report of the Social Security Board concludes a decade in which employers, workers, and Federal, State, and local governments have been working together to realize the purposes of the Social Security Act. In signing that act on August 14, 1935, President Roosevelt called it "a cornerstone in a structure which is being built but is by no means complete . . . a structure intended to lessen the force of possible future depressions . . . It is, in short," he continued, "a law that will take care of human needs and at the same time provide for the United States an economic structure of vastly greater soundness." The following years witnessed the organization and successful operation of the social security program during the swing of the business cycle from depression to the heights of activity attained under the pressure of all-out war. As the decade ended, the program stood ready to serve during the economic demobilization and to help in realizing the durable peace for which Americans had fought in all parts of the world.

A social security program obviously is not in itself sufficient to abolish all fear of economic insecurity or to assure prosperity and a decent standard of living for all our people. The achievement of freedom from want and freedom from fear will depend in large measure on our ability to maintain a high and stable level of employment and national income. An important responsibility of Government will be the adoption of policies which will promote continuing full employment and stimulate the economy of the country to provide a level of production consistent with our national resources.

A program of social security can, however, aid to an appreciable extent in attaining this broader objective, provided its scope and coverage are broad and its benefit provisions are reasonably adequate.

Benefit and assistance payments, taken by themselves, increase the purchasing power of beneficiaries. They contribute, thus, to a minimum level of demand for the output of farms, factories, and mines. These payments, moreover, have an economic effect on consumer demand disproportionate to their size. They are made largely to individuals and families whose earnings have been curtailed or stopped. They provide these recipients with the means to buy food, clothing, and other goods and services they otherwise might not obtain. Thus they are soon reflected in the markets and the income stream of the Nation.

But the maintenance of a satisfactory general level of income and employment would not mean that there is no need for social security protection. The war years have shown that even when job opportunities are plentiful, large numbers of persons are unable, for one reason or another, to avail themselves of these opportunities and they suffer serious hardship unless provision is made for them through the mechanism of social security. Full employment does mean, however, that the burden of providing any given level of social security protection would be lower than otherwise, both absolutely and in relation to the income out of which it is financed. Hence, if the goal of full employment is attained, the Nation can afford a better and more comprehensive system of social security than might otherwise be possible and thus assure that freedom from want becomes a reality for all.

Accomplishment and Challenge

The tenth year of the Social Security Act was governed by economic conditions very different from those which prevailed when the act was passed. Then industrial collapse and drought had destroyed the security and hopes of millions of families in the towns and cities and on the farms. The number of the unemployed was estimated variously at 9–12 million. In the fiscal year 1944–45, by contrast, the aggregate income of individuals was greater than ever before in the history of the United States. Both industrial wages and farm earnings had risen greatly. Jobs were open to substantially everyone who could work. On the average, only about 800,000 persons were reported as unemployed. Some of these were experienced workers, briefly unemployed during lay-offs or between jobs. Most, however, were youngsters with little or no job experience, women who ordinarily would not have taken work outside their own homes, or older men and women and handicapped persons, most of whom would not ordinarily have been in the labor market.

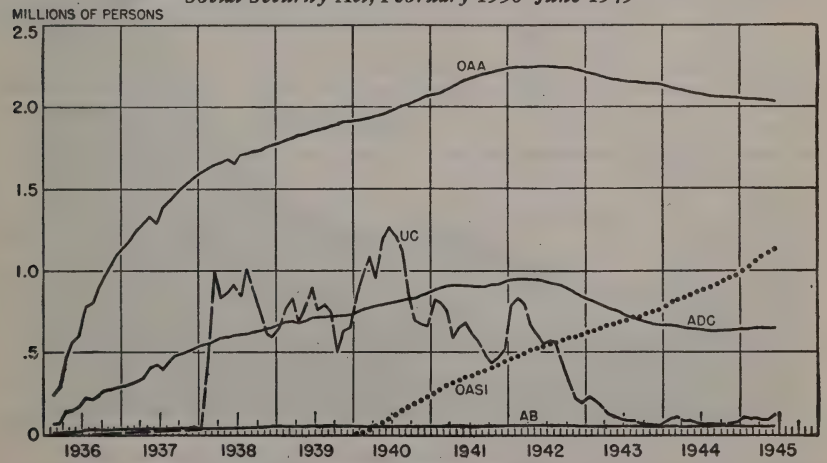
Public assistance in 1944–45—the special types of assistance and general assistance—went almost entirely to people who were unable or little able to work, the aged, blind, and families in which the normal

breadwinner was dead, absent, or incapacitated. Many additional families that had lost their chief means of support through old age or death had some assured income from old-age and survivors insurance benefits under the Social Security Act.

Of the social insurance and assistance programs for which the Social Security Board carries Federal responsibilities, unemployment compensation was most extensively affected by the wartime rise in employment and income. The weekly average number of beneficiaries under State unemployment compensation laws in the fiscal year 1944–45 was only about one-tenth of that in 1939–40, the high year since all States began payment of benefits. Recipient rolls of the three special types of assistance under the Social Security Act and of general assistance had also declined from prewar levels, but much less sharply. In old-age and survivors insurance, the beneficiary roll continued to increase throughout the war years as more workers became insured, but the rise was much less rapid than it would have been under peacetime conditions. The fiscal year 1944–45, like the war years just preceding, showed both the basic importance of employment to the security of American families and the magnitude of the risks to family security which continue even when the economy is functioning at peak activity.

By June 1945, the Social Security Act had provided a sound foundation, in law and administrative experience, for social insurance and public assistance throughout the United States. The Federal old-age and survivors insurance system was in operation throughout the continental United States and the Territories. All States, Alaska, Hawaii, and the District of Columbia were operating unemployment

Chart 2.—*Social insurance beneficiaries and public assistance recipients under the Social Security Act, February 1936–June 1945* [1]

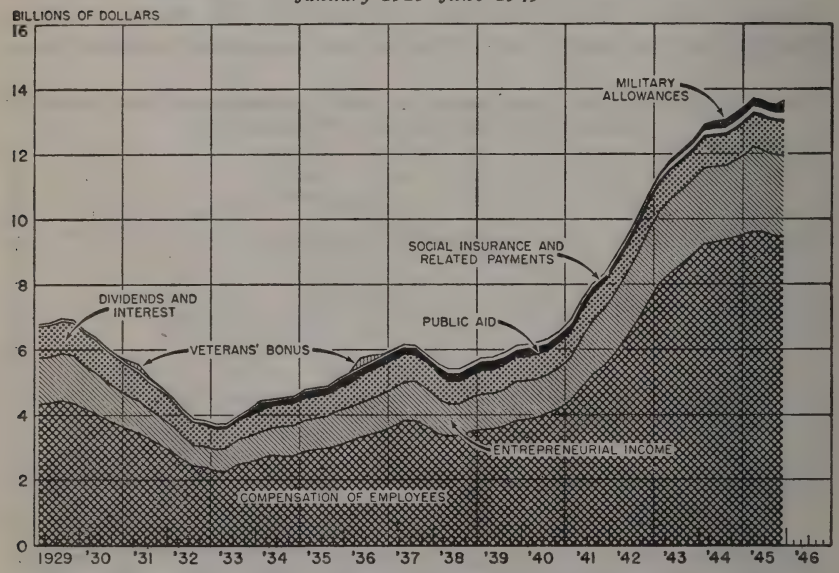


[1] Excludes persons receiving lump-sum payments under the old-age and survivors insurance program.

compensation programs, for which the Federal Government meets the costs of administration, and all were administering old-age assistance with the aid of matching Federal grants under the Social Security Act. Federal-State programs for aid to the blind were in operation in all but five of these jurisdictions and programs for aid to dependent children, in all but two. Despite the achievement of the first 10 years, however, none of these social insurance and assistance programs has yet attained full scope and adequacy. Moreover, the United States has yet to initiate comprehensive insurance protection against the leading cause of poverty and dependency in most years—the costs and losses occasioned by sickness and disability. Public assistance to needy persons under the Social Security Act was limited to three particular groups.

With the end of the war, the thoughts of all peace-loving nations have turned toward the structure of a peace that will realize the ideals for which men have died. In such thinking, social security has a central place as one means of helping to secure political and economic stability and to assure the independence and individual opportunity and enterprise for which government exists in a democracy. In his first message to Congress on social security, in June 1934, President Roosevelt declared, "This seeking for a greater measure of welfare and happiness does not indicate a change in values. It is rather a return

Chart 3.—*Income payments to individuals in the United States, January 1929–June 1945* [1]



[1] Monthly average for each quarter, 1929–43; monthly data thereafter.

Source: U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce.

to values lost in the course of our economic development and expansion. . . ." In a talk to the Nation in the dark summer of 1940, he pointed out that democracy can thrive only when it adequately respects the dignity of the common people " by so ordering society as to assure to the masses of men and women reasonable security and hope for themselves and their children."

The next 10 years will confront the program with a more severe test, in many ways, than it faced in its first decade. Then, in general, the economy was on the upswing. Now, in peace, the Nation must hold its gains in economic security and push them still further. In a statement on the tenth anniversary of the Social Security Act, President Truman hailed it as one of the great peacetime achievements of the American people and declared that social security has become an essential part of the American way of life. But, he added, "we still have a long way to go before we can truthfully say that our social security system furnishes the people of this country adequate protection. Therefore we should lose no time in making our Social Security Act a more perfect instrument for the maintenance of economic security throughout this country. . . .

"Social security worthy of the name," the President declared, "is not a dole or a device for giving everybody something for nothing. True social security must consist of rights which are earned rights—guaranteed by the law of the land. Only that kind of social security is worthy of the men and women who have fought . . . to preserve the heritage and the future of America."

Summary of Recommendations

Four years after the law was passed, Congress strengthened and broadened the program by amending the Social Security Act. Neither social insurance nor public assistance, however, has yet attained the scope and force envisaged by the legislators and others who have been concerned with the establishment and development of the program. Nor, in the opinion of the Social Security Board, is the program equipped to play its full part in our society now and in the future. This tenth annual report therefore outlines both developments in the fiscal year ended June 30, 1945, and the course which the Board believes feasible and necessary as the United States faces forward to peace.

In summary, the Social Security Board recommends the establishment of:

A comprehensive basic national system of social insurance, covering all major risks to economic independence and all workers and their dependents to whom such risks apply. Such a program would include insurance against wage loss in periods of disability and against costs of medical care, as well as old-age and survivors insurance and unem-

ployment insurance, relating benefits to past earnings with provision for additional benefits for dependents. It would be designed to close existing gaps in the coverage of both persons and risks, to remove present inequities in the protection of workers and the financial burdens of employers, and to provide a consistent relationship among insurance provisions for the various risks and between provisions of the basic system and of supplementary special systems for particular groups. As compared with separate programs to meet particular risks, such a system would reduce administrative costs and burdens and simplify arrangements as they affect workers, employers, and public agencies. It would greatly strengthen protection against want and dependency at a minimum cost.

A comprehensive program of public assistance, on a State-Federal basis, under which payments financed from State and Federal funds would be available to any needy person in the United States irrespective of the reason for need or the place of residence. Such a program would be designed to remove the great disparities which now exist in the treatment of various classes of needy persons and in the treatment of persons who are in like circumstances but live in different parts of the country. It would also be designed to remove serious present inequities in the relative burdens borne by States and localities in financing public assistance.

For particular programs the recommendations of the Board include:

Old-Age and Survivors Insurance

Coverage of all gainful workers, including agricultural and domestic employees, public employees and employees of nonprofit organizations, and self-employed persons, including farmers.

Credit to servicemen for their period of service in the armed forces.

Reduction of the qualifying age for all women beneficiaries to 60 years, rather than 65.

Increase in benefit amounts, particularly for low-paid workers.

Increase from $3,000 to $3,600 a year in the amount of earnings subject to contribution and counted in computation of benefits.

Increase in the amount of earnings permitted a beneficiary without suspension of benefits, with a less severe penalty than at present for the first failure to report earnings in excess of the permitted amount.

Deletion of the requirement of school attendance as a condition of receipt of benefits by children aged 16 and 17.

Greater uniformity in defining, for purposes of the insurance system, family relations qualifying members of a worker's family for benefits.

Benefits during periods of extended or permanent disability, like those for old-age retirement.

Provision for ensuring uniformity in coverage decisions relating to liability for contributions and eligibility for benefits, which are based on identical language but are made by two separate Federal agencies—the Bureau of Internal Revenue and the Board.

Adoption of a long-range plan for financing old-age and survivors insurance which looks toward an eventual tripartite division of costs among employers, employees, and the Government.

Unemployment Insurance

Extension of the Federal Unemployment Tax Act to all employers of one or more in covered industries and to as many other excepted employments as is administratively feasible.

Immediate provision for unemployment benefits during the reconversion period for workers employed by the Federal Government, on a uniform basis regardless of the State in which they work.

Immediate provision for unemployment insurance for seamen in coastal, intercoastal, and foreign commerce under a Federal law.

If a Federal-State system of unemployment insurance is continued:

Abolition of the credit-offset features of the present tax and substitution of a straight Federal tax from the proceeds of which matching Federal grants to the States would be made for both benefits and administration.

Provision for minimum benefit standards either as a condition of tax-offset credit (including additional credits) or of Federal matching of State administrative and benefit costs. Among such standards would be:

Extension of unemployment insurance coverage to all employees in covered industries, regardless of size of firm, and to as many other noncovered groups as is administratively feasible.

Provision of a maximum weekly benefit amount, for workers whose past earnings entitled them to the maximum, of at least $25 for the worker with dependents.

Provision of as much as 26 weeks' duration of benefits for all workers eligible for benefits whose unemployment extends over so long a period.

Provision for the minimum proportion of wage loss to be compensated, including additional allowances for dependents and for minimum qualifying earnings.

Provision that disqualifications for voluntary leaving without good cause, discharge for misconduct, or refusal of suitable work should entail merely postponement of benefits for not more than 4 weeks and not cancellation of benefit rights or reduction of benefits.

Definition of good cause for voluntary leaving or for refusing suitable work to include good personal reasons, not merely causes attributable to the job or the employer.

If minimum benefit standards are adopted but the credit-offset feature of the present tax is retained, change in the additional credit provisions so that employers may obtain rate reductions either through experience rating, State-wide reduction, or some other method.

If minimum benefit standards are adopted, permanent provision through a reinsurance fund—rather than loans, as now temporarily provided—to States whose unemployment funds run low.

Additional Insurance Provision

Cash benefits to insured workers and their dependents during both temporary disability (less than 6 months) and extended disability (6 months and over).

Insurance against costs of medical care, including payments to physicians and hospitals, with provision for decentralization of administration and possible utilization of State administration.

Public Assistance

Federal grants-in-aid to States for general assistance to any needy person, irrespective of cause of need, as well as for old-age assistance, aid to the blind, and aid to dependent children.

Special Federal aid to low-income States, in addition to the equal-matching grant, to enable them to meet full need, as defined by the State, among all their needy population.

State distribution of available Federal and State assistance funds to localities in accordance with need in the locality and, where localities participate in financing assistance, also in relation to local fiscal capacity.

Federal financial participation in medical care payments made directly by the assistance agency to doctors, hospitals, or other agencies that furnish such care to needy persons under State public assistance programs.

Deletion of the Federal matching maximum for individual payments of aid to dependent children, and deletion or increase of such maximums for old-age assistance and aid to the blind.

Abolition of State residence requirements as a condition of eligibility for assistance under State plans approved under the Social Security Act.

Extension of Federal financial participation in aid to dependent children to include aid to any needy child, irrespective of the reason for need, who is living with a natural or adoptive parent, legal guardian, or relative. Substantially the same objective could be achieved through the Board's recommendation on Federal financial participa-

tion in general assistance. One or both changes, however, are urgently needed to assure more nearly adequate provision for needy children. In addition, appropriate provision under the Social Security Act for the care of a child who is in need of foster-home care.

Deletion of the requirement for Federal matching that, as a condition of eligibility for aid, children aged 16 and 17 must attend school.

Unification of the administration of State public assistance programs at both State and local levels as a condition of the Federal grant.

Unemployment Insurance

In June 1945, as a decade earlier, questions concerning jobs were in the forefront of public attention. The problem, however, was not to find work for people who lacked it but to devise ways to maintain "full" employment in the future. Two months later, with the abrupt end of fighting in the Pacific and the cessation of war production, attention turned also to ways of providing more adequate unemployment compensation for displaced workers until industry could convert to peacetime production.

When the fiscal year closed, some 12 million persons in the most vigorous years of life were in the armed forces. Additional millions were in war production and in civilian war agencies. The labor force had been expanded by the addition of about 7.5 million emergency workers, people who ordinarily would not have had paid jobs. Never before in its history has the United States faced so vast a readjustment in the location of the working population, the kinds of work to be done, the wages earned, and the like. The conditions after World War I, when relatively little of the existing plant and equipment had been converted to war production, do not offer a reassuring precedent. Can the Nation hope that the experience of the intervening years will enable us to avoid alternating booms and collapses in the years ahead?

An important part of the answer to this question depends on the adequacy of the employment security program—an employment service to direct workers to new jobs as reconversion forces changes, and unemployment insurance to pay benefits to those for whom suitable work is not immediately available. At the end of World War I no such resource existed. When VJ-day brought certainty that great changes were immediately impending, the Federal-State system of unemployment insurance, backed by nearly $7 billion in accumulated State reserves, provided a bulwark for millions of workers, while the readjustment allowances under the GI Bill of Rights gave additional assurance of some income to ex-servicemen who could not immediately find their place in the civilian labor force.

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The Role of Unemployment Insurance During Reconversion

It goes without saying that the basis of employment security, from the standpoint of the Nation and of the individual, is a job at fair wages. Unemployment compensation is a first line of defense when suitable work is lacking. In conjunction with employment service, it plays a positive role in reconversion and in ordinary times, through helping to conserve morale and work skills and to make possible an appropriate redirection of workers who must find new jobs. Since the applicant for benefits must at the same time register for work, must report regularly to the employment office, and must accept any suitable work offered him, the program serves to help organize the labor market by matching job openings with applications for work.

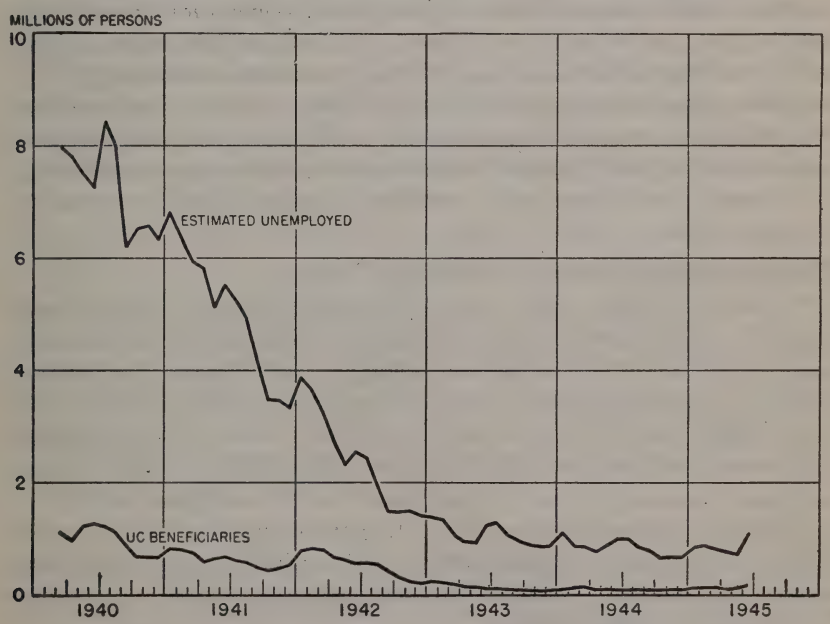
Wartime conditions and changes in the labor force have created some particularly difficult problems for the reconversion period. Prime among these are the questions of what is "suitable work" for men and women whose wartime type of job has become scarce or has disappeared, and of "availability for work" of unemployed persons, particularly women with home responsibilities, who place some condition on the kind of work they will accept. A worker may declare that he or she can take a job only under certain conditions, usually the conditions under which he worked while earning his wage credits, such as work on a day shift or on a night shift or in a place to which he has been able to get a ride in a neighbor's car or at rates of pay which enable him to meet certain fixed obligations. When such situations arise, the administrative agency must determine whether the claimant is actually in the labor market and available for work; if he refuses a proffered job, the agency must determine whether he was justified in doing so because the job was not suitable for him in the light of his past experience and earnings and present prospects for work, or whether he must be disqualified from benefits.

During the war, great pressures were applied to persuade women to take jobs outside their homes. In the early cut-backs of war production, many women apparently left the labor force without claiming benefits. If public confidence in the economic outlook is maintained, it may be expected that large numbers of the women recruited during the war will prefer to return to their homes when the war job ends or when husbands and sons return from the armed forces. But it must be remembered that some 13 million women were gainful workers before the war, presumably because their earnings were needed for self-support or family support. Without the war, a larger number would probably have been employed at this time because of the growth in population and the long-term trend in employment of women. A very large majority of the women who seek

jobs and claim benefits need work for self-support and often also for the support of others.

The availability of benefits helps to conserve the skills of experienced workers and to promote free and fair competition among workers for jobs. At times and in particular places, skilled jobs are fewer than in recent years, and some people will have to take less highly skilled and lower-paid work than they have had. From the standpoint of national and business policy, it would be short-sighted to have skilled workers forced by economic necessity to take blind-alley work in which they would lose skills that have cost their employers and the community hundreds of thousands of dollars in training time, while other workers have to be trained to take their places. The skills which workers have acquired in the war years are a national asset, and every effort should be made to preserve and use them to the full. Plant efficiency and national productivity depend on getting the best-fitted workers into the places where their highest skills are needed. At the same time, housewives who took war jobs and youngsters who have interrupted schooling for work are freer to return to their ordinary peacetime tasks when the permanent breadwinners in a household have assurance of some continuing income if, for them, reconversion brings a gap in earnings.

Chart 4.—*Average weekly number of unemployment compensation beneficiaries and estimated number of unemployed persons, March 1940–June 1945*



Source: Estimated unemployed from U. S. Department of Commerce, Bureau of the Census.

All these factors relating to the payment of benefits must be considered in the light of the most important service that unemployment insurance offers at this time—to help sustain confidence among all workers and the communities in which they live. An impending lay-off creates dread not only among the wage earners who will lose their jobs but also among all the people who provide and sell the goods and services that workers buy—people in stores and shops, eating places, laundries, and so on. When a contagion of fear develops, secondary unemployment may result if business concerns feel that they must cut down their expenditures or postpone plans they had made to expand their businesses. Such fear makes it less likely that the laid-off workers will find new jobs. The orderly course of reconversion requires a degree of confidence among workers and other consumers that will make them willing to carry out their plans to buy needed automobiles and household equipment, to go ahead with needed repairs to their homes or with the new houses they have planned, and to create the basis on which peacetime business can rebuild soundly.

Experience in both insurance and assistance programs bears out the Board's conviction that people in the United States take work when they can get it. Apart from the economic pressures to which the family of a beneficiary is subject, since benefits represent only about half or less of their customary income, the Board believes that all but an insignificant proportion of workers want a job as a means of upholding their status among their neighbors and friends and because, in essence, they prefer work to idleness. To help maintain the general public confidence that can help to make payments unnecessary, it is important that unemployment insurance be available to all workers who rely on wages, and that benefits be sufficient in amount to replace a substantial part of wage loss while a worker cannot earn and sufficient in duration to carry most workers through their periods of unemployment.

The Federal-State System at the End of 1944–45

Coverage.—During 1944, about 44 million workers earned some wages in employment covered by State unemployment compensation laws, and about 35 million earned enough to qualify them for benefits if they became unemployed. In an average pay period, about 30 million persons were in jobs covered by the State laws; average covered employment represented not much more than half the jobs of wage and salary workers in the United States in 1944 and less than three-fourths of all nonagricultural jobs. Except for railroad employment, covered by a special Federal system, substantially all the remaining civilian jobs carried no systematic protection against loss of earnings in involuntary unemployment.

The original taxing provisions of the Social Security Act, replaced in 1939 by the Federal Unemployment Tax Act, excluded employment by firms with less than eight employees, public employment, maritime employment, domestic service and agricultural labor, service for nonprofit organizations and institutions, and certain other employments. Except for employment in small concerns, now covered in a considerable number of States, these fields of employment have been generally excluded by the State laws also. Among the excluded groups that face particular hardship in the reconversion period are the hundreds of thousands of Federal workers who have had wartime jobs in arsenals, navy yards, and war agencies, and maritime workers.

More than half the States have gone further than the Federal taxing provisions in covering employment in small firms. At the end of the fiscal year, 29 States included firms with less than 8 employees, and 16 of these included employers of 1 or more. Of the more populous highly industrialized States, only California, Massachusetts, and Pennsylvania are among these 16. At the other extreme are 22 States, including Michigan and Texas of the more populous States, which still exclude firms with less than 8 workers. Earnings of workers in small shops and stores and offices are lower, on the average, than those in large establishments, and, at least in ordinary periods, the risk of unemployment is probably equally great. If the Federal Unemployment Tax Act were extended to small firms, such firms would be covered automatically under 25 State laws which authorize conformity with Federal provisions.

Of the million persons reported as unemployed in the week of the census count in June 1945, only about one in seven was receiving unemployment benefits under a State law or the railroad unemployment insurance act or the GI Bill of Rights. Many of the persons seeking work, however, were students just out of school or others who had not customarily relied on earnings for family support or perhaps even for self-support. Among experienced workers who were laid off, most found work at once and did not enter a claim for benefits, or they got a job before they completed the waiting period or drew more than one or two weekly benefits. As reconversion accelerated, however, the situation changed rapidly, and the unemployed represent to an increasing extent persons on whose earnings both families and the Nation's business depend, including many who are not protected by unemployment insurance.

Duration of benefits.—The effectiveness of unemployment compensation depends, of course, not only on coverage but also on the length of time for which benefits may be paid, the weekly benefit amount, and other circumstances governing actual payments.

Initially, most of the State laws limited the maximum duration of benefits to 16 weeks or less after a waiting period which, in all States, was at least 2 weeks in a benefit year. In the early years of operation, many States shortened the waiting period and a few extended maximum potential duration of benefits. Even in rather good years, however, a large proportion of all beneficiaries were still without jobs when they exhausted their benefit rights. In 1941, for example, when the defense program was opening up new jobs, half of all workers who drew benefits exhausted their rights, and in some States the proportion approached or exceeded two-thirds.

By the end of the fiscal year 1944–45, nearly three-fourths of the States had cut the waiting period to 1 week of total unemployment in a benefit year, and Maryland, following the precedent of the GI Bill of Rights, had eliminated it. While substantial progress has also been made in extending benefit duration, particularly in the 1945 State legislative sessions, at the end of the fiscal year 13 States still held to the same duration provisions they had under their original unemployment compensation laws, and only 5 States, with 28 percent of the covered workers, provided 26 weeks' maximum potential duration.

In nearly three-fourths of the States, the maximum duration of benefits for which an individual can qualify may be less than the maximum provided in the State law, because the actual duration depends on the amount of the individual's earnings in the base period. In some States, actual duration may be as brief as 3 or 4 weeks for workers with low past earnings. In contrast, in 14 States, any worker who meets the qualifying requirements may draw benefits, if he continues to be unemployed, up to the number of weeks (14–26) specified in the State law; the amount of his weekly benefit, but not the number of weeks of payment, is governed by his past earnings. Such "uniform duration" is simpler for workers to understand, and for the agency to administer, than a provision which relates duration to the individual's wage record. It has the advantage of treating all insured workers alike in this respect. It helps perform one of the most valuable functions of the program, sustaining confidence among all insured workers that, if they lose their jobs, benefits may actually help them through until they get work again. Uniform duration gives both the worker and the community a clearer indication of the burden the program is prepared to assume, and thus helps to uphold business morale and prevent the paralyzing effects of widespread fear in a hard-hit community.

There are wide variations in the number of weeks of total unemployment for which benefits can be paid under different State laws on the basis of the same amount of past earnings. For example, a claimant with $1,000 earnings in his base period and $400 in the best

quarter of that period could receive benefits for periods ranging from 8 to 26 weeks. In 22 States, he could receive benefits for 17 weeks or more; in 16 States, for 16 or 16 and a fraction weeks; and in the other 13, for less than 16 weeks.

Weekly benefit amounts.—In 1938, in the country as a whole, the average weekly benefit for total unemployment represented nearly half the average weekly wage in covered industries. Though average benefits have increased, because most beneficiaries have had steadier employment and higher wages in the base periods which determine their benefit amounts, the rise in the average benefit during the war years did not keep pace with the rise in earnings. By 1944–45, the average weekly benefit for total unemployment—less than $17 in the United States as a whole—was only about 40 percent of average earnings.

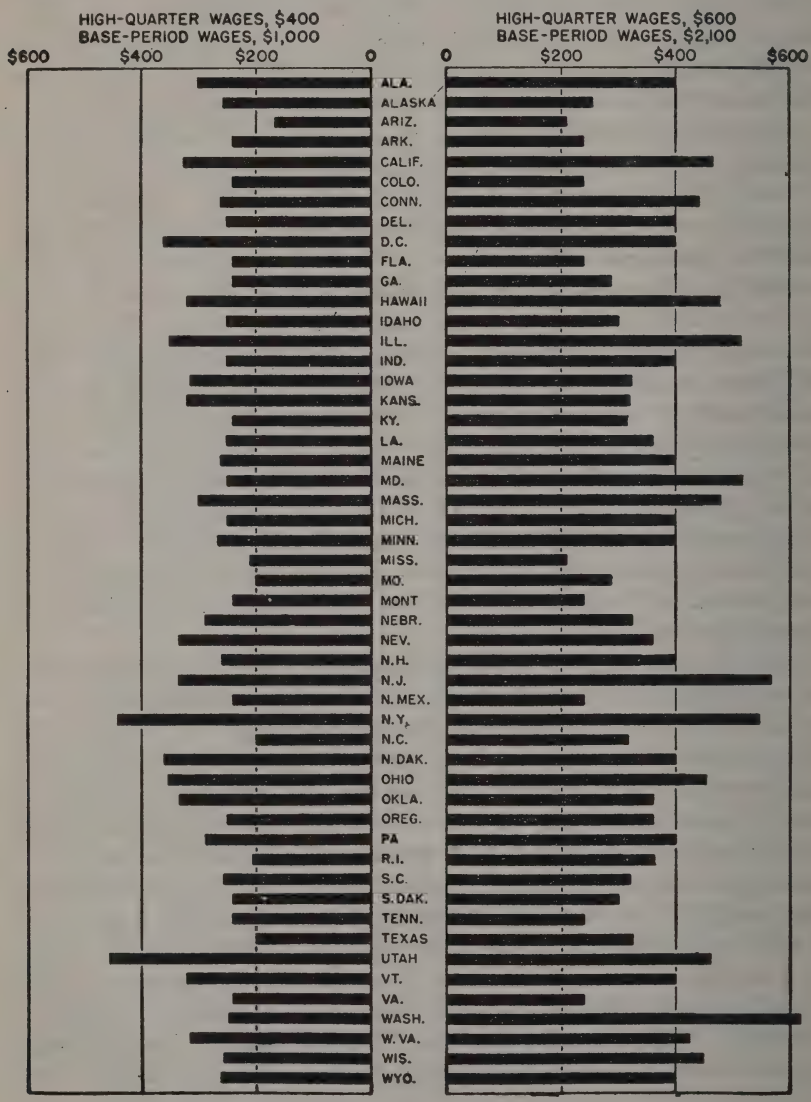
Like nearly all other factors in the operation of the Federal-State program, the average benefit varies greatly from State to State. In 1944–45, the average payment for a week of total unemployment ranged from $9.22 in North Carolina to $19.37 in Connecticut and $19.39 in Michigan. While some of the differences in the averages are due to differences among the States in prevailing rates of earnings of covered workers, average benefits are not necessarily related to average covered earnings in a State. In considerable part, State differences in the average are due to differences in the benefit formula which result in payment of very different amounts to workers with substantially similar past earnings. Under the State laws as of June 30, 1945, for example, a claimant who had earned $2,100 in his base period (usually a year) and $600 in the best quarter of that period would receive $15, $16, $18, $20, $21, $22, $24, $25, or $28 for a week of total unemployment according to the State in which he happened to have earned his wage credits and, in four States, to the number of persons dependent on the worker.

The most serious factor limiting average payments is the maximum set by the State law, which determines the highest amount that may be paid to any worker, whatever his past earnings. In 1944, nearly 60 percent of all benefit payments—and in 3 States, more than 90 percent—were at the maximum. It has been an accepted principle of social insurance in the United States that while benefit formulas should be weighted in favor of low-paid workers, they should also be related to earnings and, for the mass of wage earners, should bear a reasonable relationship to the wage loss suffered in unemployment. A payment of $15 a week—the maximum in 49 States in 1937—is still the maximum weekly amount in 10 States. Fourteen other States pay no more than $18 a week. By the end of the fiscal year, 27 States, with nearly four-fifths of the covered population, had a maximum weekly benefit of $20 or more. Despite recent progress, however, only about 1 cov-

ered worker in 10 is in a State which approximates a maximum of as as much as $25 a week, including any provision for dependents.

Potential annual benefits.—The wide range among the States in the maximum weekly benefit and also in the minimum weekly amount—the latter, from $3 to $10 for a week of total unemployment—and the many other differences in benefit formulas cause great differences

Chart 5.—*Maximum potential amount payable for unemployment benefits during a year under State laws as of June 30, 1945, to a worker with specified wage credits*



among the States in the total amount that may be drawn by an unemployed worker in a benefit year. The $260 that New York State may pay during a year to a worker who barely qualifies for benefits is greater than the maximum that 10 States pay to any worker, whatever his past earnings. For example, for a worker who has earned $1,500 in his base period and $500 in the high quarter of that period, the maximum that can be drawn in benefits in a year ranges among the States from $210 to $546; weekly benefit amounts vary from $15 to $25; and the potential number of weeks of benefits, from 14 to 26. Similar disparities exist for workers at other wage levels (chart 5). Clearly the meaning of unemployment compensation to communities as well as to individual workers differs greatly according to the benefit provisions of the State law. Recent legislative changes have widened, rather than narrowed, differences in the compensation received by unemployed workers in like circumstances.

Dependents' allowances.—During the 1945 sessions, three States—Connecticut, Michigan, and Nevada—provided allowances for dependents, which previously were payable only in the District of Columbia. Allowance for dependents of an unemployed worker enables an unemployment insurance system to make better provision for the workers with the greatest presumptive need at less cost than would be incurred by increasing benefit amounts for all qualified workers to an amount appropriate for those who have family obligations. Most of the unemployment insurance laws in the world provide dependents' benefits. Payment of higher amounts to the beneficiary with family obligations does not lessen his incentive to get a job. A man who must continue to meet the needs of a family is under pressure to find work as quickly as he can. In this country the need for dependents' allowances has been recognized in Federal old-age and survivors insurance, in State workmen's compensation laws, and in nearly all provisions for servicemen and veterans.

Disqualification from benefits.—Disqualification provisions in many States sharply limit the protection under the system. Unemployment insurance systems properly disqualify workers who quit their jobs without good cause or are discharged for misconduct or refuse work considered suitable by the administrative agency, since the intention is to compensate only involuntary unemployment. Initially, disqualification provisions under the State laws ordinarily took the form of postponing payment of benefits for a few weeks during which unemployment could presumably be attributed to the disqualifying act. If, however, the worker continued to be unemployed and was available for work, his continued lack of a job was considered due to the state of the labor market, not his original act, and he then could receive any benefits for which his past earnings qualified him.

In recent years an increasing number of State laws have not merely postponed payments to disqualified workers but have also penalized such workers by reducing or canceling their benefit rights. A worker who loses his job in a mass lay-off may find that he cannot qualify for benefits because some earlier disqualifying act had caused the agency to cancel benefit rights he acquired in previous employment in his base period. In some States the scope of disqualification for voluntary leaving is broadened by the provision that anyone who leaves a job voluntarily is disqualified unless he has "good cause" which is attributable to the job or the employer. Such a provision may result, for example, in disqualifying a wage earner who is unemployed after leaving a job on promise of work which did not materialize or one who had to stop work to have a surgical operation and cannot find a job when he or she again is able to work.

During 1939–41 the number of States with such penalty provisions more than tripled, and by the end of 1944, 28 State laws contained provisions reducing or canceling benefit rights for one or more disqualifying acts. In 1945, only 2 States which had such provisions deleted them completely and two others deleted them for one disqualifying act but kept them for others.

So far as the Board is aware, no other major system of unemployment insurance in the world limits good cause for voluntary leaving to cause attributable to the employer or employment, or uses the drastic penalty of canceling benefit rights of workers disqualified for misconduct, voluntary quit, or refusal of suitable work. The view that unemployment, to be compensable, must result from the "fault" of the employer, rather than any personal cause attributable to the worker, doubtless has been linked in the United States with the spread of experience rating, which relates an employer's contribution rate to the charges against his account for benefits paid to his former workers and gives him an individual stake in keeping such charges to a minimum. Wartime labor shortages also gave impetus to a desire to penalize workers who left jobs. The provisions now imbedded in State laws create hardship among men and women who have shown their attachment to the labor force, are genuinely unemployed, and want work but cannot find a suitable job.

Financing.—As the result of the high pay rolls and low benefit expenditures in wartime, unemployment compensation reserves continued to mount rapidly throughout the fiscal year. At the end of the year State accounts in the unemployment trust fund totaled $6.7 billion, far more than any prewar estimates could have anticipated. Interest on the Federal obligations in which these reserves are invested exceeded benefit expenditures during the year by $44 million; for all States but four, interest alone was more than enough to finance the year's benefits.

The steady rise in reserves during the war years occurred despite a general and marked decline in employer contribution rates through operation of the experience-rating provisions of State laws. In 1941 the employer contribution rates under the State laws averaged 2.6 percent, and in 1944, when experience rating was in effect in 42 States, 1.8 percent. This figure does not include the special war-risk contributions which 10 States required of employers whose pay rolls had expanded greatly during the war and Wisconsin also required of all employers; these war-risk provisions would raise the general average slightly. The full effect of experience rating will only begin to be felt in the postwar period. So far, experience rating has acted as a device for tax reduction. In general, contribution rates declined at just the time when economic requirements dictated increase in taxes and when business was best equipped to bear them; under the experience-rating provisions of the State laws, rates will rise because of the inevitable increase in claims loads in the reconversion period.

Though all States have reserves sufficient to finance any foreseeable demands for benefits, the relative strength of the State reserves varies considerably. From total funds available on June 30, 1945, benefits could be paid to 61 percent of all employed covered workers for the maximum duration under the State laws. The proportion, however, would vary among individual States from more than the total number of covered workers in six States to less than half in Illinois, Massachusetts, Michigan, and New York. Probable requirements for future benefits also vary greatly among the States and in many bear little or no relationship to the strength of the State's reserve. Michigan, for example, with prospects for one of the heaviest claims loads, had one of the lowest reserves in relation to its taxable pay roll. Arizona, Idaho, and Nevada, with relatively the largest funds, could anticipate light claims loads.

For the country as a whole as well as for the workers who may have occasion to draw on their benefit rights, the accumulation of reserves in the war years has been of great value. The program withdrew funds at a time when excess purchasing power created grave inflationary pressures. These funds are now available for benefit payments to unemployed workers.

Administration.—The costs of administering the State unemployment compensation programs, which are paid from Federal funds, totaled approximately $30.5 million in the fiscal year 1944–45, some $3.5 million less than in the preceding fiscal year and $5.4 million less than in 1942–43. Wartime needs for economy and for conservation of manpower have led the Board to do all within its province to help the States to simplify and streamline operating procedures and to prepare for the claims loads to be anticipated during reconversion.

Progress had been made by the Board in cooperation with the States in devising formulas and cost methods for determining the necessary costs of administration on a State-by-State basis. Both the Board and the States, however, have continued to be aware of the problems inherent in financing the State programs through the 100-percent Federal grant to meet administrative costs.

Additional administrative problems arise under the present Federal-State system in that it requires duplicate collection of unemployment taxes by the State and Federal Governments and duplicate maintenance of wage records for unemployment and old-age insurance purposes. Interstate employers are burdened by the multiple variations in reports that they must file with the various State agencies, and employees who work in more than one State find great variations among States in benefit rights and procedures. Migration of workers during the war years and the geographic reshuffling necessary in reconversion have added to such problems. The States have devoted much time and effort to working out procedures for handling the claims of interstate workers and paying benefits to individuals who earned their wage credits in some State other than that in which they are unemployed. The variety and complexity of State laws and regulations, however, cannot help but make interstate operation costly and time-consuming at any time, and particularly at present. One of the prime functions of the Board is to serve as a clearing house to bring to the attention of all States the results of successful legislative and administrative experience in any of them. The general value of State experimentation depends, of course, on the extent to which other States actually adopt improvements which have been demonstrated.

Strengthening Weak Links in the Federal-State Program

In the fiscal year 1943–44, congressional committees on postwar policy and planning reexamined existing provisions for unemployment compensation and urged that States strengthen their benefit provisions and extend the coverage of their laws to the many workers wholly without protection. No Federal action was taken except to authorize Federal advances of funds to any State whose own reserve might run low under the impact of postwar demands. In May 1945, President Truman, in a special message to Congress, recommended consideration of an emergency program for the reconversion period, stressing the need to extend the coverage of unemployment insurance to Federal workers, maritime workers, and other excluded groups, and to increase the duration of benefits and the maximum weekly payment. Benefits, the President declared, should be payable for as long as 26 weeks in a benefit year to any insured worker who continues to be unemployed, and the maximum weekly benefit—payable to workers whose past earnings qualify them for the maximum—should be

not less than $25 a week for at least workers with dependents. The Board supported these proposals and made similar recommendations on benefit duration and the maximum weekly amount to the States before their legislatures convened in 1945. After the sudden surrender of Japan, congressional committees were called into session to consider once more legislation to make the unemployment compensation system more nearly adequate for the reconversion period. On September 6, 1945, President Truman's special message to Congress on reconversion legislation made proposals on unemployment compensation his leading legislative recommendation.

At the end of this first decade, the Federal-State program of unemployment insurance is an important bulwark of protection. It continues, however, to present serious weaknesses, not only in its capacity to meet particular problems of the reconversion period but also—even more important—in its long-run purpose of affording general and continuing protection against wage losses due to unemployment.

Coverage is still too narrow. Despite recent improvements in State laws, benefit standards in general are not yet reasonably adequate in the light of our existing knowledge of unemployment and the funds available for financing benefits. Disqualification provisions are unduly severe. The basis of financing is irrational and a source of administrative complexity and of inequity for workers and employers. For both workers and employers, the program fails to meet one of the commonly accepted criteria of social insurance—similar treatment of similarly situated participants wherever they are. The effect of the experience-rating provisions in the State laws has been to negate the purpose inherent in the original provisions for financing the program—avoidance of unfair interstate competition among employers in different States. Interstate competition to reduce employer contribution rates has been a powerful deterrent to improving the State systems.

The following pages discuss various means of coping with these shortcomings.

Coverage.—To meet immediate problems, the Board believes that unemployment compensation should be extended to Federal workers on an emergency basis for the reconversion period. No Federal employees are now covered by unemployment compensation. Reconversion entails lay-off of hundreds of thousands of workers in Government arsenals and navy yards. These men and women have been doing the same kinds of jobs as are performed by workers in private concerns subject to the State unemployment compensation laws; many of them transferred from private employment because of the Government's urgent need for their services and have lost rights they built up previously under the State laws. Federal war agencies and other

Federal agencies must also release hundreds of thousands of persons who have been brought into the civil service to fill the jobs of war absentees and to perform tasks created or expanded by the war emergency. The Board believes that emergency reconversion unemployment benefits should be computed on a uniform basis for Federal employees, since pay scales, leave regulations, and other conditions of employment are uniform for similar classes of Federal workers throughout the country, and that benefits should be administered through the State unemployment compensation programs.

The situation among maritime workers also needs immediate consideration. Legislation concerning maritime workers has been pending in Congress since 1938. Since Supreme Court decisions in 1943 clarified the constitutionality of State coverage of maritime services, a considerable number of States have acted, by law or ruling, to cover various groups of workers engaged in water transportation. In the 1945 legislative sessions, seven States extended coverage to all or some maritime workers immediately, and six made such coverage contingent on action by Congress or by other States. Amendment of the Federal Unemployment Tax Act to cover employment on inland waters would facilitate coverage of such services under State laws.

In deep-sea shipping the services of seamen are interstate and national in character; they are rendered in several States and in foreign waters under the same contract of service. Fitting such workers into a State system is cumbersome at best, and the maritime industry presents special difficulties. A man may become unemployed in a port in any State at which his ship touches. Seamen frequently shift from one employer to another, and principal offices of the various shipping lines are scattered among the coastal States. Wages are paid irregularly, with final settlement at the end of the voyage. Hiring is commonly done through union halls, not public employment offices. At the end of the fiscal year, about 165,000 seamen—85 percent of all seamen in deep-sea employment—were employees of the War Shipping Administration and thus of the Federal Government. As such, of course, they were excluded from the State systems. These workers have much more in common with other seamen than with other Federal employees. Many of them will remain in the maritime industry. For both immediate and long-range problems, the most satisfactory solution for these seamen would be the immediate adoption of permanent Federal unemployment insurance legislation to cover workers in deep-sea shipping.

The immediate situation facing certain excluded groups should not obscure broad continuing needs for coverage. The Board has recommended since December 1938 that the Federal Unemployment Tax Act be extended to employers of one or more in covered industry to facilitate coverage of small concerns in all States. Coverage of cer-

tain other excluded groups also appears feasible and necessary. Among these are agricultural and domestic employees of at least the larger farms and domestic establishments, employees of nonprofit institutions and agencies, and, for at least the reconversion period when large-scale lay-offs are necessary, employees of the Federal Government. As mentioned above, the Board also recommends establishment of a permanent Federal unemployment insurance system for maritime employees engaged in coastwise, intercoastal, and foreign commerce, leaving to the States, by amendment of the Federal Unemployment Tax Act, the coverage of seamen on inland waters.

A system of Federal grants-in-aid.—Probably the most important single cause of basic administrative difficulty between the Federal and State authorities under the present system is the 100-percent Federal grant for State administrative expenses. Under the Social Security Act, the Board may provide administrative funds to States only when the State law and its administration conform with certain requirements of the Federal act. If the State law does so conform, the Board is responsible for certifying to the State the full amount, within the limits of the Federal appropriation, that the Board determines "necessary for the proper and efficient administration" of the State law. Since the Federal grant covers all administrative expense, certain of the usual State controls on operations are absent. The States, responsible for the operation of the State programs, have no direct stake in the economical operation of the system; the Federal Government, responsible for all the costs of operation of the State programs, takes no direct part in the operation. The complete separation of financial and administrative responsibility inevitably presents difficult problems for both the Federal and the State agency. With the best of intentions on both sides, the division of responsibility cannot but be a source of misunderstanding and irritation.

If a Federal-State system is retained, one way to do away with this difficulty would be to adopt a grant-in-aid plan for paying administrative costs. Instead of paying 100 percent of the administrative costs of the State agencies, the Federal Government would match or pay a fixed percentage of administrative costs. Each State then would have an incentive for economical operation, because it would have to answer to its own State legislature for the expenditure of State funds for administration.

Fully as anomalous as the 100-percent grant for administrative expenses is the fact that while a national 3-percent tax was imposed in the interests of avoiding unfair interstate competition among employers, the operation of experience-rating systems has been such that employers with exactly the same experience with unemployment pay widely differing rates depending upon the State in which they

are located. Moreover, because the rates under these employer experience-rating systems are dependent largely upon the benefits paid and not upon the degree of employment stabilization, there is a direct incentive to avoid benefit payments and keep benefit provisions restrictive so that employers in a particular State will not be at a competitive disadvantage with employers in other States. Thus the additional-credit provisions of the Federal unemployment tax have stimulated, rather than prevented, undesirable interstate competition.

Experience-rating reductions in contribution rates in recent years have not come as the result of employers' success in stabilizing employment but as a consequence of economic factors over which individual employers have little or no control. Increases likewise will be governed by general economic forces. New employers have been at a competitive disadvantage with employers whose business has been in operation a sufficient length of time to give them an opportunity to qualify for rate reductions. If arrangements are needed for over-all adjustment of the employer contribution rate from the normal 2.7 percent now established in the laws of all but one State, some better mechanism than experience rating should be provided—better from the standpoint of workers, employers, and the Nation as a whole.

If a Federal-State unemployment insurance system is continued, consideration might well be given to changing from the present tax-offset system to a grant-in-aid system. Specifically, a grant-in-aid system could substitute a reduced Federal unemployment tax, without any offset provisions, for the present 3-percent Federal unemployment tax with the 90-percent offset. Out of the proceeds of the Federal unemployment tax the Federal Government could provide Federal grants-in-aid toward the cost of administration and benefit payments under State laws.

This approach would do away with the difficulties inherent in the 100-percent Federal grant to meet administrative costs. It would also result in some spreading of the risk of unemployment and would give the States greater latitude in financing benefits. Coupled with specified minimum benefit standards, it would encourage similar treatment of claimants in similar circumstances and provide greater adequacy of coverage and benefits. It would not offer a complete solution of the dual reporting now required of employers under Federal and State laws. But it would simplify Federal reports for employers, since they would be required to make only a consolidated tax return covering both old-age and survivors insurance and unemployment insurance. Employers thus would not have to make a separate Federal unemployment tax return and, in addition, would not be required to obtain certificates from State agencies evidencing contributions under State unemployment compensation laws. Moreover, this plan

would do away with the possibility of duplicate taxation which inevitably arises in some cases under the tax-offset approach.

While a grant-in-aid plan would not eliminate the wide variation which now exists in the contribution rates paid by employers in similar circumstances in different States, it would tend to lessen variations. Moreover, the grant-in-aid approach has a reinsurance element which is not contained in the present tax-offset approach. Under a grant-in-aid plan, a State which experiences considerable unemployment would draw more Federal aid than a State that did not. Thus to some extent it spreads the risk among the States, in this way strengthening the financial basis of each State.

There is substantial experience in other Federal-State programs to justify the belief that Federal matching of State funds results in progressive improvement of the State program. In addition, it encourages a State to broaden the program, since there is less fear of undertaking new responsibilities when financial responsibility is shared. Thus a State might be more willing under a grant-in-aid program to extend unemployment insurance coverage to groups not now included, such as agricultural and domestic workers, for whom the cost of providing benefits would be more uncertain than for many other groups now covered. Experience under existing grant-in-aid plans also demonstrates that such a plan more clearly establishes the areas of Federal and State responsibility.

A grant-in-aid plan would also enable a State to reduce the amount of contributions it collects and its reserves during the next few years, since the Federal Government would be assuming a portion of the future liability. In fact, under such a plan most States could reduce contribution rates almost to zero for a number of years. The States could reduce contributions through individual employer experience rating, or State-wide reduction, or some other method. Thus the States would have greater flexibility in financing the costs of the benefits at the same time that the financial stability of the program was being improved. And the Federal Government would have greater assurance that the objectives of the program would be achieved at no additional cost to the Federal Government.

Minimum benefit standards.—The inclusion of Federal minimum benefit standards either in the existing Federal-State system or in a grant-in-aid plan would go a long way toward assuring adequacy of benefits throughout the country. Now, when maintenance of employment emerges as the central national problem in the years just ahead, such standards would assure the role that unemployment compensation will play in every State of the Union. If unemployment compensation is to act as a first line of defense in periods of unem-

ployment, it is important that this first line be strong enough throughout the country to carry out the tasks allotted to it.

Minimum benefit standards should assure that any eligible unemployed worker in any State would have 26 weeks of benefits if he remains unemployed that long, and should assure benefits to a ceiling of at least $25 for the worker with dependents if his wages entitle him to that amount. Minimum standards should apply to the proportion of wage loss to be compensated, including provision for dependents, and to eligibility and disqualification provisions. The Board believes that disqualification should involve only prolongation of the waiting period—that is, postponing benefit payments—in most instances for not more than 4 weeks, which is the maximum stipulated in the GI Bill of Rights. "Good cause" for voluntary leaving and for refusal of suitable work should include compelling personal and family reasons.

The Board believes that adequate Federal minimum benefit standards would be a protection to the States since they would serve to strengthen the State systems. If minimum benefit standards are adopted, the Board recommends that permanent provision be made through a reinsurance fund for States whose unemployment funds run low, replacing the present temporary provision for advances to such States.

With minimum benefit standards to assure that reduced rates would not be allowed at the expense of adequate benefits, it would also be possible to repeal the present complicated conditions in the Federal law limiting the allowance of reduced contribution rates, giving the States latitude in selecting the method for rate reduction. Such a provision would not prohibit individual employer experience rating. On the contrary, it would allow the States to vary rates either through individual employer experience rating or through a State-wide reduction or through any other method. It would be impossible to achieve any degree of uniformity in the rate charged employers with the same experience unless all the details of the experience-rating formula were written into the Federal law as a requirement for the States to observe. Even if the States were willing that this be done, there is lack of agreement among the advocates of experience rating as to its theory and practice.

Federal Responsibility for an Effective Unemployment Insurance Program

When catastrophe comes, few people, if any, doubt the basic responsibility of the Federal Government for dealing with the social disaster of unemployment. In the 1930's, billions of dollars in Federal money were paid out through emergency Federal relief and work programs to provide the means of subsistence for the millions of fam-

ilies whose breadwinners had no work. The unemployment compensation provisions of the Social Security Act were designed to help prevent such emergency expenditures by dealing constructively with the types of unemployment that exist in all ordinary times.

The Social Security Act gave impetus to the establishment of State unemployment compensation systems throughout the country. It is safe to say that without such Federal legislation there would still be States that would not have unemployment compensation laws on their statute books. In enacting the Social Security Act, Congress indicated that it did not feel it should wait for State legislation to develop in this field, nor that it would be satisfied if only the highly industrialized States enacted such legislation. The passage of the act indicated the concern of Congress that unemployment compensation laws should be established in every State, for the experience of the 1930's had shown that unemployment leaves no communities untouched.

Inclusion of Federal minimum benefit standards in a Federal-State system represents no radical departure from the exercise of existing Federal responsibility for unemployment compensation. The present standards in the Social Security and Federal Unemployment Tax Acts were designed to assure that the States pass genuine unemployment compensation laws, that funds collected for unemployment benefits be soundly invested and used solely for that purpose, and that the laws not serve to undermine existing labor standards. Minimum coverage standards are inherent in the tax-offset features of the Federal Unemployment Tax Act. The act contains minimum contribution standards, inadequate as they are. To add minimum benefit standards to the 12 existing requirements for approval of a State unemployment compensation law would be to indicate the national stake in an adequate system of unemployment insurance.

A State-by-State system of unemployment insurance has certain potential advantages. Among these are flexibility in substantive and administrative provisions, decentralization, and close contact with interested individuals and groups. Of these, only the first is inherent in the State basis, which leaves a State free to experiment with provisions it deems appropriate and other States to profit by that experience. Much of the existing variation in State laws and procedures appears, however, to be on a chance basis, rather than the result of economic conditions in particular States. Decentralization of operations and maintenance of community contacts through such mechanisms as the use of advisory councils and representative appeals bodies have been limited in application. More substantial and persistent use of all these opportunities could, in the opinion of the Board, considerably strengthen the Federal-State program.

It is sometimes maintained that only a State-by-State system can gear benefit amounts appropriately to differences in wage levels and living costs in different parts of the country. This claim overlooks the fact that such an adjustment is made automatically, within the limits of specified minimum and maximum benefit amounts, under any national system that bases workers' benefits on their prior earnings. Under old-age and survivors insurance, for example, the same benefit formula is used throughout the country, but the prevailing levels of benefit payments differ from State to State according to the prevailing levels of wages. While each individual's benefit is related to his past wage record, in a State where wages are relatively low most beneficiaries receive relatively low benefits; where prevailing wages are higher, so also is the prevailing level of benefits.

One source of administrative difficulty—the complexities of dealing with interstate workers—is inherent in a State-by-State system. In some States, claims of interstate workers comprise a considerable proportion of all claims. Interstate procedures are necessarily slow and costly, but if the program is to aid in the necessary mobility of labor, every effort must be made to pay benefits promptly to those who move in search of jobs. During the war, while benefit loads were small, more than half of all interstate claimants waited more than a month after they became unemployed before they received their first benefit check. Mention has been made of the anomalies, inequities, and complexities in benefit standards, employer reporting, employer contributions, and other aspects of financing that arise because of the diversity inherent in the existence of 51 separate unemployment compensation laws.

While the recommendations given above will strengthen the Federal-State system for the reconversion period and the long run, the Social Security Board continues to believe that the most satisfactory solution of the difficulties experienced in this first decade of the program would be the incorporation of unemployment insurance in a single comprehensive national system of social insurance. Such a system, outlined subsequently in this report, would also present very great positive advantages in economy and simplicity of operation from the standpoint of workers, employers, and the public. It would make it possible to coordinate appropriate social insurance provision against both long and short-term risks of wage loss, to place unemployment insurance on a sounder financial basis, and to relate the program more constructively to the economy as a whole.

Old-Age and Survivors Insurance

The impact of the war on old-age and survivors insurance has been hardly less dramatic than on unemployment insurance. Wartime op-

portunities for work have enabled many old people who would have been out of the labor market to continue on the job or, having retired, to go back to work. For every aged worker who was receiving retirement benefits at the end of the fiscal year, there were two who were eligible but were not getting their payments, presumably because they continued to have earnings in covered employment. In the closing months of the year, claims for primary benefits rose considerably; apparently many older workers were finding that they had to stop work or chose to do so. The roll for monthly retirement benefits, however, remained much smaller than it would have been under peacetime conditions.

The war has also been responsible for an abnormal increase in the number of deaths among younger workers covered by the system. By the end of the fiscal year, more than 92,000 claims had arisen in which the worker died during or after service in the armed forces. Expenditures for survivor benefits had not risen proportionately, however, for a variety of reasons. Some servicemen had lost the protection which they would otherwise have had, because service in the armed forces is not credited under the present law; others who were insured under the program were prevented by military service from establishing a family which could be eligible for monthly benefits. Furthermore, many of the widows and children of servicemen who qualified for benefits were able, because of the high level of wartime employment, to engage in covered employment which resulted in suspension of benefit payments.

The effect of the war on earnings in covered employment is reflected in the rise in total taxable wages from $33 billion in 1940 to approximately $65.5 billion in 1944, and in average taxable wages from $932 in the earlier year to $1,379. There has been a great increase—from about 23 million on January 1, 1940, to about 40 million on July 1, 1945—in the number of persons who have sufficient wage credits to be fully or currently insured. The number of persons aged 65 or over with fully insured status, including those on the benefit rolls, had increased six times—from 210,000 on January 1, 1940, to nearly 1.3 million on July 1, 1945. Survivors insurance under the system alone represented the equivalent of more than $50 billion in term life insurance.

Coverage

Limitation of coverage continues to be the most serious single shortcoming of old-age and survivors insurance. Because of coverage restrictions, only about three-fifths of all gainfully employed civilians were in jobs covered by old-age and survivors insurance in an average week of 1944. Of the estimated 21.4 million civilians in excluded jobs in an average week of 1944, about 8.1 million were in agriculture,

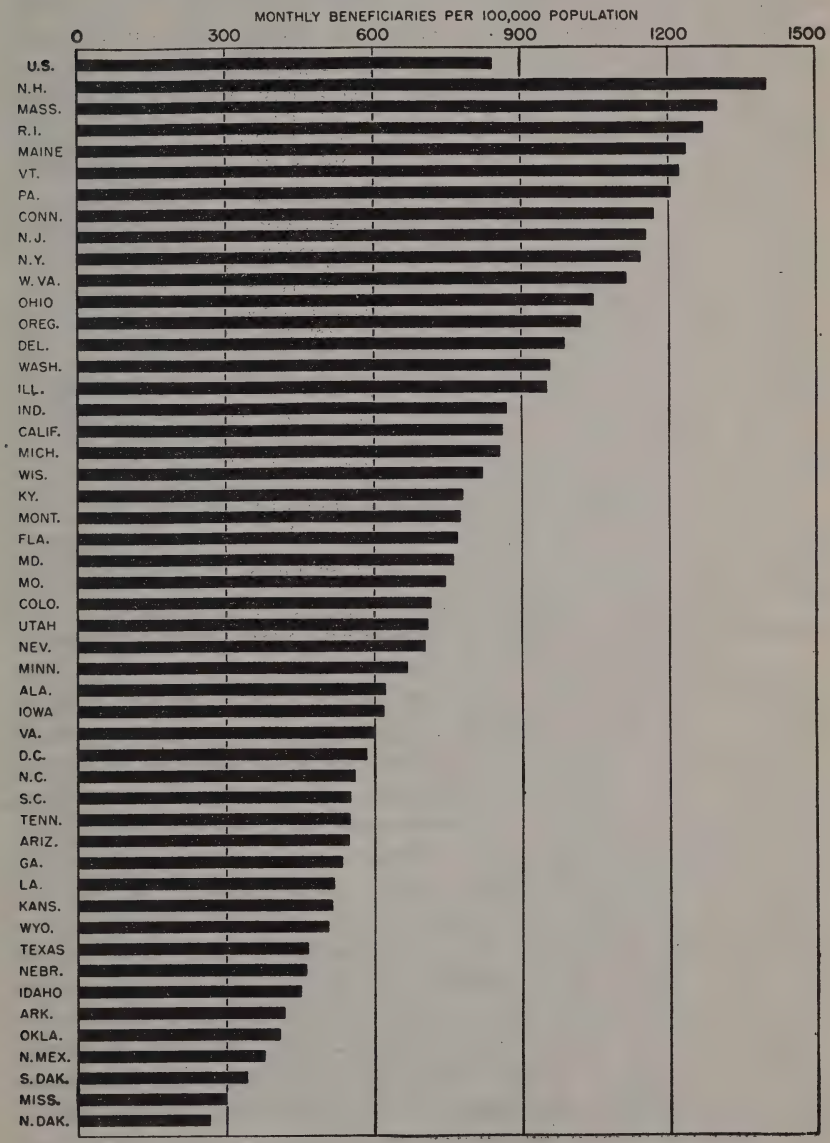
either as farm employees or farm owners. Self-employed persons outside agriculture accounted for some 4.5 million; governmental employment, for about 6 million, of whom half were Federal workers and half, employees of States and localities. On the average, about 1.4 million persons were in jobs covered by the railroad retirement system, and about 2 million in domestic service, service for nonprofit organizations and institutions, and other excluded services. In addition, between 11 and 12 million persons, including a large proportion of the men who ordinarily would have been the core of the labor force, were in the armed services. Counting these in, more than half the jobs filled in an average week in 1944 carried no credits toward benefits under this basic Federal system. In peacetime the relative size of the various groups would, of course, be somewhat different, but the proportion of workers in excluded jobs would not be much less.

The number of persons affected by coverage exclusions throughout a year is much greater than the number in excluded jobs at any one time. During a year, millions of workers shift between covered and noncovered employment. Because of this division of their work, some fail to accumulate enough quarters of coverage to qualify for any benefits, though they contribute to the system when they have taxable wages, while others qualify for smaller amounts than they would have if all their earnings could be counted. As of January 1, 1945, in contrast to the 39 million persons currently or fully insured, nearly 71 million persons had received wage credits at some time since wages became subject to contribution on January 1, 1937. Of the nearly 32 million living workers who did not have insured status, some had left the labor force after only brief covered employment, including many women who have or will have protection under the system on the basis of their husbands' wage records. Others are workers who have only recently taken covered jobs and will eventually build up insurance rights, or housewives who work only intermittently—in canneries, for example, or in holiday jobs in stores. A large proportion of the total uninsured, however, represents persons who do rely on earnings throughout a working lifetime but, because of the restriction of coverage, do not have enough continuity of covered employment to qualify under the system.

Among the occupational groups excluded from old-age and survivors insurance, some have more or less comprehensive protection under other retirement systems. Railroad workers are covered by a special Federal system under the Railroad Retirement Act. Most persons who have held Federal jobs for 5 years or more acquire vested rights to an annuity at age 62, though for brief periods of employment the amount is small. About half of all employees of State and local governments are members of retirement systems. Some persons in nonprofit organizations—but often not the lower-paid manual workers and mainte-

nance employees—are covered by special retirement plans. The various special retirement systems and plans, moreover, commonly provide little or no protection for survivors, and the right to retirement benefits is often contingent on long periods of service and may be forfeited by an employee who leaves before retirement age.

Chart 6.—*Number of beneficiaries on the old-age and survivors insurance rolls per 100,000 population, by State, December 31, 1944*[1]



[1] Population as of July 1, 1944.

For workers who are covered under a special system, shifts in employment may mean a division of coverage which precludes payment of benefits under either the special system or the Social Security Act.

Wartime shifts in employment have accentuated all the difficulties and injustices of the restriction of coverage. Of the 4 or 5 million persons who have been recruited for navy yards, arsenals, and other Federal employment during the war, many have come from private employment and most will return to such employment as war needs decline and servicemen return to take their former places in the civil service. For many of these Federal "war duration" employees, old-age and survivors insurance protection previously acquired has been diminishing during their Federal service, and in some cases has been entirely lost, while at the same time they have not acquired any alternative protection from their wartime jobs.

Many servicemen, likewise, are losing or have lost protection they built up in peacetime jobs, and all of them are prevented by military service from building up credits toward retirement or survivors insurance which they might have gained had they not been in the armed forces. Although veterans' legislation provides benefits for the families of men and women who die or are disabled as a result of service, millions of able-bodied men and women returning to peacetime jobs will look to the social security system as a major source of protection for themselves and their families.

In the general labor force, millions of men and women have gone from work on farms and from household employment and other noncovered jobs into war plants, essential services for civilians, and other occupations in which, perhaps for the first time, they have been covered by old-age and survivors insurance. Only prompt extension of coverage will enable them to maintain the protection they have gained and to continue to build up rights toward benefits as they return to their former pursuits. Coverage of these other kinds of work helps to encourage people to make the shifts that are necessary for orderly and effective reconversion. For many older workers, failure to remove coverage exclusions now may preclude any chance of their ever qualifying for the old-age benefits toward which they have been contributing during the war.

There has never been any question of the need for insurance protection among agricultural and domestic employees; though, like others, they shared in the general rise in earnings during the war years, they remained among the lowest paid and least secure groups in the population. Older forms of security that farm and household workers once drew from their relationships with employers in whose homes they lived have been almost wholly lost in the circumstances of present-day life in both the country and the city.

The term "self-employed" is likely to suggest well-to-do business and professional people. Actually, the great majority of the people affected by this exclusion from the Federal system are operators of small farms, stores, stands, repair services, and the like. Their earnings are small and uncertain. Many owners of little businesses have written to the Board saying that they need protection under the system as much as the employees for whom they are contributing, and asking if they, too, may not pay contributions and be covered.

Agricultural and domestic workers and the self-employed, who comprised more than 14 million persons in an average week of 1944, were excluded by the 1935 provisions of the Social Security Act largely because of the administrative problems of collecting contributions and recording earnings for them when the system was just beginning. Such problems need no longer deter action. Pay-roll reporting has now been carried on successfully for nearly 9 years, even by small shops and service establishments which have only a worker or two, had no previous experience with wage reporting, and formerly kept few or no pay-roll records. In some simplified form, such reporting can be adapted to meet circumstances of at least some of the groups still excluded. For workers with irregular and part-time employment—such as some groups of household and agricultural employees—a stamp system might be the method of choice. For self-employed persons, other types of provisions, probably coordinated with income-tax reporting, can be used. The sound framework of administrative organization and experience developed over the past decade now makes it feasible for the old-age and survivors insurance system to handle these and other administrative problems connected with the coverage of agricultural and domestic workers and the self-employed.

Reasons other than administrative difficulties caused the original exclusion of public employees and employees of nonprofit organizations, important among them a general belief that these groups already had substantial provision for retirement. Establishment of survivor benefits by the 1939 amendments to the Social Security Act, examination of the effective coverage of the special retirement systems and plans, discovery of the extent of labor mobility and its effect on retirement rights under both the basic system and the special systems, and the effect of particular circumstances arising from the war now all combine to indicate the importance of providing comprehensive coverage under a basic system which can be supplemented by the special systems for particular groups. It is significant that a few States already have laws looking toward coverage of State and local public employees under the Federal system if that is extended. At least nine other States and a number of localities have adopted resolutions or memorials urging extension of the Federal system to some or all public employees. Similar resolutions concerning employees of non-

profit organizations have been adopted by many associations and groups in the field of social welfare and education and also, with respect to lay employees, by church organizations.

Coverage by old-age and survivors insurance can and should be effected without impairing any of the rights which individuals have built up under special systems. Employer retirement plans which were established before the Federal system have been adjusted very successfully to supplement benefits under the Social Security Act, with increase in the total amounts payable to many workers. There is every reason to believe that the same result can be obtained for civil-service employees, teachers, and others now covered by special plans, thus strengthening and broadening their protection and at the same time affording protection to many who now lack it. For employees of State and local governments, problems inherent in levying contributions on such jurisdictions might be resolved by voluntary compacts between the Federal Government and the States.

In considering coverage of Federal employees, the situation of the war-duration employees presents an immediate and urgent need for action. Wage credits under the old-age and survivors insurance system should be provided for persons who have entered Federal service during the war emergency and do not remain. Such credits should also be given to servicemen for their periods of military service, with assumption of the cost by the Federal Government. In the long run, coverage of all Federal employment by the basic system, with additional provision for those who qualify under the civil-service retirement program or other special systems, would be the most effective and equitable arrangement. It could be accomplished with retention of all the privileges and options of the existing civil-service retirement system, no reduction in payments to existing annuitants under that system and greater protection for those who would subsequently qualify, and with retention of the independent civil-service retirement fund, with its own reserve, employee contributions and Government appropriations, administered separately by the U. S. Civil Service Commission.

Comprehensive coverage would not only remove gaps and injustices now evident in the operation of the old-age and survivors insurance system but would also make unnecessary many difficult and time-consuming determinations that now arise in administration. In agriculture, for example, there are border-line questions concerning the services of thousands of persons who work under at least quasi-industrial conditions in processing and packaging operations in fruit and vegetable plants. It is necessary to determine whether these are "incident to the preparation of [the commodity] for market" and therefore excluded as "agricultural labor" or, like services of

many other workers engaged in food processing, are covered by the system.

Intrinsic difficulties in these and other determinations are intensified by the fact that, though the benefit and tax provisions of the program are identical, they are administered by two different agencies, the Bureau of Internal Revenue and the Board. Inevitably the one agency is guided by principles customary in administration of tax provisions, the other by the principles inherent in the purpose of the social insurance system. With the best will on both sides, differences in judgment are inevitable. At the least, some arrangement is necessary to ensure uniformity in decisions relating to liability for contributions and to eligibility for benefits, with, if necessary, amendment of the law to give some official, such as the Attorney General, authority to reconcile differences of opinion. An alternative would be to combine in one agency responsibility for both the collection of contributions and the determination of benefits. This would have the advantage that the agency responsible for keeping the wage records would also be responsible for assuring compliance with the tax provisions.

In the interests of increasing the scope and effectiveness of the program, its equity to individual workers, and its services to the Nation in and after the reconversion, the Social Security Board continues to urge immediate extension of old-age and survivors insurance to all gainful occupations.

Adequacy of Benefits

Comprehensive coverage would increase the benefit amounts of many workers by making it possible to include all their earnings in the computation which determines the benefit rate. Inclusion of benefits for extended disability, discussed later in this report, would also make for improvement in this respect, since long periods of disabling illness cut down the average taxable wages of many workers, particularly workers in their fifties and sixties, and reduce the amount for which the individual can qualify on or after reaching age 65 or make it impossible for him to qualify at all. These improvements alone, however, would not serve to bring benefits for many workers and their families into what the Board believes a proper relation to wage loss or up to a reasonable standard of social adequacy. The Board recommends that benefit provisions be liberalized, particularly for lower-paid workers.

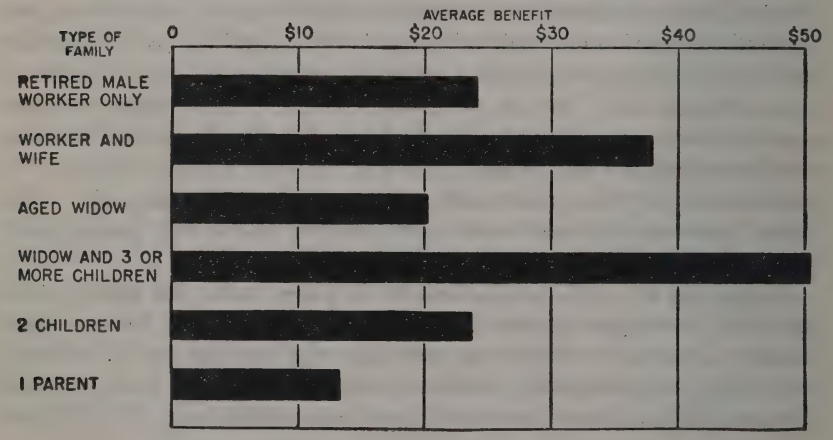
At the end of 1944, family benefits in force under the old-age and survivors insurance system averaged $37.60 a month for an aged couple—a retired worker whose wife also had reached age 65 and was receiving a supplementary benefit; $47.40 for a widow and two children, and $50.40 for a widow and three or more children. For an aged

widow, the average was $20.20 and for a child alone, $12.40. Actual amounts received by an individual or family vary within the limits set by the benefit formula, according to the wage record of the insured worker. The minimum benefit is $10 a month for a retired wage earner or for a single survivor benefit based on his wage record, and $15 for an aged couple. The total amount of all benefits payable to a family with respect to a particular wage record cannot exceed $85 a month, or 80 percent of the wage earner's average monthly wage, or twice the insured worker's primary benefit amount, whichever is least.

In 1944, no retired worker could receive more than $43.20, apart from any amounts payable to his dependents. Only a very few beneficiary families—those in which a widow and three or more children or four children, but not their mother, were entitled to benefits—had the maximum $85. Of the aged couples, three-fifths had less than $40 a month and only about one in seven had as much as $50. Among the families in which a widow and two children were beneficiaries, nearly three-fifths had less than $50.

The wartime increases in continuity of employment and wage rates have increased the average benefit award. The average award of a primary benefit, which is the amount payable to a retired insured worker and the basis for any benefits payable to his dependents or survivors, increased from $22.71 in 1940 to $24.73 in June 1945. For all primary benefits in force the rise was more gradual, from $22.69 at the end of December 1940 to $23.80 as of June 30, 1945. As the system continues, the average for the whole benefit roll reflects increasingly the amounts awarded months or years earlier and is accordingly less affected by current awards based on short periods of higher earnings. Under the present provisions, a steadily rising

Chart 7.—*Average monthly amount of benefits in force for specified family groups on the old-age and survivors insurance rolls, June 30, 1945*



proportion of all beneficiaries will have benefits determined at least in part by the amounts of earnings received many years earlier.

Field studies of the Board have shown that the majority of beneficiary families have resources in addition to their benefits. These may take the form of cash savings, an equity in the home or other investments, garden produce, income from lodgers, contributions from sons and daughters, allowances as servicemen's dependents, retirement pay from past employers, a life insurance policy that could be cashed in, and so on. Some also have earnings, ordinarily in small and irregular amounts. Many of the families interviewed have reported that they are drawing on their savings to keep abreast of ordinary living expenses. As might be expected in a system in which benefits are related to past earnings, the families with little or nothing in other resources are commonly those with the smallest benefits. About one beneficiary in ten has had to ask for public aid to supplement his benefits; many others would have been on the assistance rolls except for their benefits.

It is to be expected and desired that beneficiaries of a social insurance system will accumulate resources of their own; the Board believes that social insurance encourages thrift and independence because the small basic amount of the insurance benefit itself gives hope and incentive and makes greater individual effort worth while. Obviously benefit scales cannot be high enough to meet the needs of every beneficiary, whatever his circumstances; such a standard would result in too great a cost for contributors and unnecessarily large payments to many individuals. The adequacy of an insurance system must be judged by the extent to which its benefits, in conjunction with individual resources, provide a reasonable degree of security for the large majority of beneficiaries.

The Board does not believe that the benefit provisions of the old-age and survivors insurance system conform with such a gauge of adequacy. Field studies and other evidence indicate that most beneficiaries have been pinched by the rising cost of living. Many eligible persons have failed to take the benefits due them when they could get work because they did not think it possible to get along on the benefit amount; of the workers now receiving retirement benefits, the great majority have been forced to give up their jobs because of failing health. With the end of the war, old people, women, and children have, at least temporarily, fewer chances to earn. It is desirable socially, as well as from the standpoint of the individual, that benefits be sufficient to enable many marginal insured workers to leave the labor force—among them, aged workers in failing health, widows who are needed at home and would like to devote themselves to their children, and children who should get more schooling.

The Board recommends liberalization of benefit amounts, particularly for low-paid workers, and certain changes in benefit conditions.

Benefit formula and base.—The objective of increasing benefit amounts of lower-paid workers could be attained by a different weighting in the benefit formula. At present the primary benefit amount is 40 percent of the first $50 in average monthly wage, as legally defined, and 10 percent of the remaining amount up to as much as an additional $200; the employee pays contributions on only the first $3,000 received for a year in covered employment, and only that amount may be used in computing his benefits. One percent of the sum of the benefit amounts computed as just indicated is added for each year in which the worker received at least $200 in taxable wages. This formula was adopted in 1939, when wage rates and living costs were much below present and probable future levels. To give the heavier weighting to a larger segment than the first $50 of the average monthly wage would increase benefit amounts for all claimants, within maximum limitations, but would have its greatest effect for persons with low earnings.

At the same time, it is believed that the wage base for both contributions and benefit-computation purposes should be the first $3,600 in taxable earnings in a year, rather than the first $3,000. Such a change would recognize the general increase in wage levels and would result in benefits representing a somewhat larger proportion of the wage losses actually sustained by families in middle and upper income brackets. In considering this recommendation, it should be pointed out that the wage base of the Federal Unemployment Tax Act is $3,000. Careful attention should be given to the coordination of these provisions, particularly if a comprehensive national system is adopted, because some of the advantages in simplifying employer reporting would be lost if the bases for contributions differed.

Certain items of income which are now not considered "wages" under the definition in the act, should be included as wages, so that the base for benefits would represent the worker's actual remuneration from employment. These include tips, dismissal payments which the employer is not legally required to make but nevertheless does make, and payments made under orders of the National Labor Relations Board or a similar State board. It would facilitate getting the required reports of wages paid in a medium other than cash if the Board were authorized to set maximum and minimum limits for the amount of such items.

Certain changes, the Board believes, should also be made in the provisions governing minimum and maximum benefit amounts. A reasonable standard of adequacy would seem to require a minimum primary benefit of $20 a month for any worker who has the number of quarters of coverage required for eligibility for benefits. With the

supplementary benefits or survivor benefits representing, as at present, half or three-fourths the primary amount, a primary benefit minimum of $20 would result in a minimum of $30 for an aged couple, $15 for an aged widow, $10 for a single surviving child or parent entitled to benefits, and $25 for a widow and one child also entitled to benefits. Most workers, of course, would have earnings that would qualify them or their survivors for more than these minimum amounts.

At present, the maximum total amount payable on a worker's wage record is $85 a month, twice the primary benefit amount, or 80 percent of the average monthly wage of the insured worker, whichever is least, except that these maximums cannot operate to reduce the total of family benefits to less than $20. The Board believes that the maximum limits should be $120 or 80 percent of the average monthly wage, whichever is less, and that the second limit should not be used to reduce family benefits below $30. The higher dollar amount—$120—would reflect the increase in the maximum annual earnings taxable under the program. No individual could obtain as much as $120 a month, just as no individual now can obtain the maximum payment of $85; benefits approaching this family maximum could be paid only rarely to an aged couple, and would represent almost wholly the payments to a widow and two or more surviving children of a worker who had made substantial contributions to the system over a considerable number of years. As at present, family benefits could not exceed 80 percent of the worker's average monthly wage.

The Board recommends omission of the present requirement that the family total may not exceed twice the primary benefit amount. This limitation causes serious hardships in families that have relatively low benefit amounts and include a widow and three or more surviving children. Since the widow's benefit represents three-fourths, and that of each entitled child half, of the primary benefit amount, limitation of the family's total to twice the primary amount makes it impossible to pay full benefits to as many as three children and their mother. In such cases, the benefit of each now must be reduced. When the primary benefit is low, the total amount payable to the family is often wholly incommensurate with its needs.

At present the "average monthly wage," as defined in the statute and used in the computation of benefits, is lowered not only because of any period during which the worker was in noncovered jobs and received earnings which must be excluded but also by the lack of wages at times when he was sick or chronically disabled or unemployed. The Board has studied several methods for overcoming the effect of such gaps, which may cause benefits to bear little relation to a family's requirements and the drop in income they suffer when the worker dies or retires. If provisions for extended disability benefits

are incorporated in old-age and survivors insurance, records of the system would provide the information needed to disregard, in computing benefits for him or his survivors, any periods earlier in a worker's life in which he had been out of the labor force because of disability.

When coverage of the act is extended to the occupations now excluded, some provision should be made to minimize the reduction in average monthly wage which would otherwise occur because of the long period prior to coverage when the worker would have no recorded wages. Such provision would also be necessary to allow newly covered workers to become insured within a reasonable period after their jobs are covered under the act. The Board is studying methods of accomplishing these objectives.

Benefit conditions.—The qualifying age for women beneficiaries should be lowered. Women have greater difficulty than men in keeping jobs after age 60. Since wives are commonly several years younger than their husbands, many aged couples suffer hardships when the man is forced to retire at 65 and the supplementary benefit for his wife is not payable until several years later. Women in their sixties who are widowed, or cease to receive a widow's current benefit because they no longer have a minor child of the deceased worker in their care, ordinarily find it difficult to support themselves until they reach 65. It is therefore recommended that the qualifying age for women be reduced from the present 65 years to age 60 with respect to primary benefits, wife's and widow's benefits and—for similar reasons—also for parent's benefits.

The "work clause" and penalties associated with it also have proved unduly harsh in actual experience. Under this provision, benefits must be suspended for any month in which the beneficiary earns more than $14.99 in covered employment. If the beneficiary so working is the wage earner on whose account dependents' benefits are also paid, the dependents' benefits are likewise suspended. From the standpoint of psychological well-being as well as economic needs, it seems desirable that old people and other beneficiaries should be able to take occasional or part-time jobs without forfeiting their benefit; at best, nearly all would continue to have very small resources. The amount of permissible earnings can well be increased without fear that beneficiaries will encroach on the job opportunities of regular, full-time workers. The Board believes that earnings of $25 or $30 a month should be permitted without suspension of benefits.

Increasing permitted earnings from $14.99 to $25 or $30 would still confront many workers with the necessity of refusing additional employment in order to avoid a serious decrease in their total income. If $30 is permitted, a retired worker with a $40 benefit could, for example, have part-time work at $10 a week for 3 weeks in a month,

thus receiving a total income of $70. If he should work the fourth week, thus earning $40 in the month, his benefit would be suspended and he would have only $40 to live on instead of the former $70. This situation could be avoided by deducting from benefits otherwise payable earnings above whatever amount is exempt, instead of canceling the benefit for such month. Such a procedure, however, would involve serious administrative problems.

A beneficiary who knowingly fails to report his covered earnings, if they exceed $14.99 for any month, is charged an additional deduction for each such month not reported. Thus 2 months' deductions must be made for each month of work in many cases of failure to report. Failure to report is frequently not willful, but occasioned by a minor infraction, such as neglect. Many beneficiaries are never able to resolve the double deductions and get back on the benefit rolls. If they work, no benefits are payable and no credit is received toward the accrued deductions. If they do not work, they have no means of subsistence. The "penalty" is thus frequently out of proportion to the offense. The Board believes some mitigation is desirable. The requirement of reporting should be retained, but only 1 month's additional deduction should be charged for the first failure to report, even though the failure covers 2 months or more of employment. For each subsequent offense an additional deduction would be assessed for each month with earnings in excess of the permitted amount.

Certain changes in the conditions for paying benefits to children are desirable. At present, benefits must be suspended for children aged 16 and 17 if they fail to attend school regularly when the Board finds school attendance feasible; attendance is not required for younger children. The requirement is difficult and expensive to administer and has proved of little social value. If a boy or girl has any significant earnings in covered employment, benefits are suspended in any event. In most other circumstances in which older children fail to go to school, attendance has been found not feasible because suitable schools were lacking, the child was needed at home, and so on.

Changes also should be made to permit, in certain circumstances, payment of benefits to a child on the basis of the wage record of the mother or another relative who actually has been furnishing the child's chief support, even though the father is living; to permit continuance of payments to children who are adopted after the wage earner's death; and to permit payments to foster children and illegitimate children if dependency on the wage-earner parent is established.

Many difficulties arise in administering benefits for children and other members of the families of insured workers because the Social Security Act requires that the benefit to a wife, widow, child, or parent may be paid only to a person who qualifies as such under the intestacy.

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law of the State in which the wage earner is or was domiciled. The great majority of the situations in which benefits cannot be paid because a "marriage" was not valid under the State intestacy law are those of people who in their own eyes and those of others have met all the community's conventions. Cases have arisen, for example, in which a man and woman, having taken out a marriage license, thought it all that was necessary to constitute a valid marriage, or in which a couple unknowingly has been "married" by a person not authorized by State law to perform the ceremony. They may have been wholly ignorant of any irregularity in the family relationships until the Board has been obliged to deny their benefit claims. Inclusion of illegitimate and foster children, as recommended above, would alleviate the condition insofar as children are concerned but would not help the unfortunate conditions affecting "wives" and "widows." The Board believes that the act should be amended to get a more nearly uniform determination of the status of wife and widow throughout the country for the purpose of benefit payments while retaining adequate safeguards to protect the system from abuse.

At present, wife's benefits cannot be paid to the woman whom a wage earner married after he reached age 60, unless the marriage occurred before 1939. This provision frequently prevents payments to a wife, even though the marriage has lasted many years and obviously was not entered into for the purpose of receiving benefits. A change should be made to allow wife's benefits to be paid to an aged wife provided the marriage has existed for 36 months, regardless of the age of the parties at marriage.

Among other changes that would make for greater simplicity and equity, the Board recommends that parent's benefits be paid when the deceased wage earner provided half or more of a parent's support and left no widow or child who could ever become entitled to monthly benefits. At present the parent, to receive benefits, must have been "wholly dependent upon and supported by" the wage earner, and a parent's benefit cannot be paid if a widow or child survives even when neither of these can become entitled to monthly benefits.

It would make for better understanding to change to "mother's insurance benefits" the name of what are now called widow's current benefits—the benefits payable to a widow, regardless of age, while she is caring for a deceased worker's child who is eligible to receive benefits. The Board believes such benefits should also be paid to a former wife, divorced, if she had been receiving support from the wage earner and has in her care a child of his who is entitled to benefits.

Lump-sum benefits are now paid on the wage records of deceased workers when no survivor is immediately eligible for monthly benefits. Since the lump sum serves a useful purpose in meeting the funeral expenses, it seems equally necessary for the survivors who will receive

benefits. Otherwise they must often use the amounts meant for their current expenses to pay the funeral costs. The Board believes a lump-sum payment should be made regardless of monthly benefits, either to a spouse who was living with the wage earner when he died or, in the absence of such a spouse, to the person who paid the funeral costs.

Recomputation of benefits.—The primary benefit amount—and, of course, all other benefits based on it—is computed on the basis of the worker's average monthly wage up to the time he files a valid claim for old-age benefits or the time of his death. During the fiscal year, the Board interpreted the act to permit recomputation of the primary benefit of a wage earner who has additional covered earnings after his old-age benefit has been awarded, if he requests a recomputation to include such earnings. Since many beneficiaries have had well-paid work during the war, recomputation has often increased the benefit amount.

The Board, however, cannot permit the worker to use a date other than that of the actual request or application for the computation in order to give him the most advantageous date of computation during his period of eligibility, nor can it include earnings after entitlement to increase the benefits of survivors when the wage earner himself has not requested a recomputation. Consequently, if a person does not choose the best date to apply or reapply, he or his survivors may lose something in benefit amount.

It is recommended that the act be amended to allow benefits to be figured as of the time most favorable for a primary beneficiary or the survivors of a wage earner, when he was first eligible for benefits, or when he or his survivors filed a valid claim, or on any intervening January 1. When a request for recomputation is filed, the amount would be calculated as of any January 1 after the previous computation. This step would make it unnecessary for the beneficiary to guess the date at which he should file his claim or request a recomputation in order to receive the largest benefit possible on the basis of his wage record.

Retirement for Disability

In its effect on the livelihood of a family, extended disability represents premature retirement. It may result in substantial decrease in survivor benefits or old-age benefits or in total loss of insured status. The framework and organization of the old-age and survivors insurance system are admirably suited to use for payment of cash benefits to workers who are unable to earn for a considerable period of time because of disability. For the reasons outlined more fully on following pages, the Board recommends inclusion of benefits for extended disability with those for the other long-term risks of old-age dependency and death of the breadwinner. If such disability insurance

were enacted and the necessary machinery for establishing the fact of disability set up, the Board would also recommend payment of dependents' and survivor benefits to permanently disabled husbands of insured women.

Contributions

In December 1944, Congress acted again (P. L. 495, 78th Cong.) to hold contributions at the rate of 1 percent each for employers and employees, continuing this rate through 1945. The 1-percent rate, therefore, will have been in effect for the first 9 years of contributions under the program. Under the schedule originally provided in the Social Security Act, the rate was to have been 1.5 percent each in 1940–42 and 2 percent each in 1943–45, rising to 2.5 percent for 1946–48, and 3 percent in and after 1949.

Assets of the trust fund have continued to increase rapidly, despite the lack of increase in the contribution rate. The rise has been due both to the great increase in pay rolls subject to contribution and to the relatively low level of disbursements, because the rate of retirement was low while job opportunities were plentiful in wartime and many survivors of insured workers also preferred to have earnings rather than take benefits. The claims rate had turned upward, however, even before the end of the fiscal year. The rise in the total number of insured workers represents a large increase in the potential obligations of the system, while the steady employment and high earnings of many persons in the war years are likely to make them eligible eventually for larger amounts than they otherwise could have received.

In terms of the time it will take old-age and survivors insurance to reach full maturity, the system is still in its infancy. Under existing provisions, the system would probably not be mature until at least the end of this century, when the number of beneficiaries might be from 10 to 20 times the number today. The number of beneficiaries will increase for various reasons. The population aged 65 and over will continue to increase, both in absolute numbers and in relation to the total population. Of even greater significance, the proportion of the aged population eligible for old-age benefits will be much greater than it is today. At the present time only a small percentage of the aged are insured, since most of the aged who were workers had left covered employment either before the system began in 1937 or too soon after its start to become insured. On the other hand, the aged population of future years comprises persons who are in their working years today, and a very substantial proportion of them will have insured status. In the field of survivors insurance protection also the system is now immature, since benefits are available only to the survivors of workers who died in or after 1940 and these include only

a small proportion of the widows and orphans who would be eligible for survivor benefits if the system were much older.

In signing the last bill postponing increase in contribution rates, President Roosevelt declared his confidence that Congress intended in no way to jeopardize existing and future benefit rights and added his hope that a comprehensive plan for broadening and strengthening the system and a long-term basis for allocating costs would be worked out at an early date, with "clear understanding of the Government's financial responsibilities for social security." In March 1945, House Resolution 204 (79th Cong.) authorized the Ways and Means Committee to spend up to $50,000 for "obtaining information with respect to the need for the amendment and expansion of the Social Security Act, with particular reference to old-age and survivors insurance and the problems of coverage, benefits, and taxes related thereto . . ."

At the time of the postponement of the scheduled increase in the contribution rate for 1944, Congress authorized (P. L. 235, 78th Cong., approved Feb. 25, 1944) appropriation to the old-age and survivors insurance trust fund of such amounts from general revenues, in addition to contributions, as may be required to finance benefits under the system. If coverage is made comprehensive, use of general revenues obtained from progressive taxation, such as income taxation, would relate costs of the system still more closely to ability to pay than at present. The Board believes that a Government contribution is sound in principle if a system is substantially national in coverage so that general tax funds, paid by many persons, are used for the benefit of the many.

If some permanent change is desirable in the plan for financing envisaged in the original provisions and the 1939 amendments to the Social Security Act, it should be worked out clearly, on a long-range basis, with regard for the many factors involved. Year-to-year decisions cannot help but cause uncertainties and difficulties in prudent planning for purposes of the system and for employers and workers who do not know what charges they will be called upon to carry.

Disability Insurance

The United States is practically alone among the major countries of the world in having an old-age insurance system that is not linked with any provision for retirement because of disability. The impact of prolonged disability on family security may be even greater than that of old age. Disability may come suddenly, without warning, at a period of life when a worker has heavy family responsibilities and has had little time to accumulate savings. It commonly involves not only loss of wages but also costs of medical care. Under the Federal old-age and survivors insurance system, benefits are paid to the

widow and young children of the insured worker who dies; but if such a man is disabled, nothing is payable before he reaches age 65, though both he and his family must be maintained and his condition may require new and large expenses. A considerable period of disability before retirement age may wipe out any chance that he or his survivors will ever be entitled to benefits.

Volume of Disability

On an average day of a prewar year, about 7 million persons were so disabled by sickness or injury that they could not carry on their usual pursuits—work, school, household tasks, and so on. Except for their incapacity, nearly half that number would have been earning or looking for gainful work. The other half included children, students, housewives, old people, and others not normally in the labor force. About half of the 7 million persons disabled on an average day had been incapacitated for 6 months or more; among the remainder, incapacity had lasted from a day or two up to as much as 6 months. In social insurance, incapacity of less than 6 months is often compensated as short-term disability; that exceeding 6 months, under provisions for extended, chronic, or "permanent" disability. Over the course of an ordinary year, about one in every two or three wage earners in the United States suffers temporarily incapacitating sickness or injury. As the Selective Service examinations and many special surveys have shown, additional millions of people who are up and about have physical and mental handicaps which limit their efficiency and enjoyment of life.

In 1942 absenteeism caused by sickness or injury was responsible for a loss of some 500 million workdays. Loss of production in that year from permanent incapacity for work has been estimated at a billion workdays, and loss from premature death, at 1.5 billion workdays. Considering the reduction in efficiency of sick and partly incapacitated people who were on the job as the equivalent of a billion workdays, it seems probable that in that first full year of our participation in the war, temporary and chronic disability, partial disability, and premature death represented the equivalent of the working time of 13 million persons, more than the total number engaged at any time in the armed services.

Wage Loss From Disability

In ordinary years, the wages lost in temporary or continued disability by workers who have been more or less regularly in the labor force aggregate not less than $3–4 billion; these figures do not include the loss of potential earnings by individuals so badly handicapped from birth or childhood that they have never been able to earn and of others whose long-continued incapacity has long since forced them to stop work. In highly organized industrial plants, absence of a worker may

slow down or stop operations of others who are on the job; replacement of workers who must drop out likewise causes losses in production and training costs. On the basis of experience in the early 1930's, the U. S. Public Health Service estimated that losses of employers from sickness and disability among their workers are at least 1½ times the wage loss of the workers themselves; obviously they must bear these hidden costs out of profits or pass them on to consumers in prices.

Various studies have indicated that the total hidden costs of sickness and disability—wage loss of workers and costs to business—are nearly three times the costs of medical care. For the Nation, this ratio would mean some $10 billion a year in terms of expenditures for medical care in the prosperous year 1929. In the fairly good year 1941, income payments to individuals in the United States totaled less than $93 billion, or only about nine times as much as what the Chamber of Commerce of the United States recently called "The $10,000,000,000 Annual Tax Nobody Gets." The figure for the indirect costs of sickness and disability for 1943 would be not less than $15 billion, or substantially more that $100 per capita of the population.

The Need for Insurance Against Wage Loss in Disability

The magnitude of the costs and losses of disability, which go on year in and year out, are staggering even in comparison with the figures to which the country has become accustomed in war financing. The volume of economic loss, as well as of suffering, leaves no doubt of the urgency of a vigorous attack on this appalling waste. Such an attack must include measures for distributing economic losses and burdens as well as all known means of preventing and curing sickness and disability. As has been pointed out in earlier reports of the Social Security Board, lack of disability insurance and of medical care insurance represents the most serious gaps in our social security program. The Board believes it both feasible and necessary to fill these gaps now.

Workmen's compensation is now the only social insurance program in the United States under which workers in general have substantial protection against wage loss during extended disability. Work-connected injuries or disease covered by workmen's compensation laws represent, however, less than 10 percent—probably nearer 5 percent—of all disabling illness in the labor force. Limited protection against total and permanent disability is provided for workers covered by the Railroad Retirement Act, by retirement systems for Federal employees, and certain other public or private retirement plans. One State—Rhode Island—provides cash benefits during temporary sickness for industrial and commercial workers covered by the State unemployment compensation law. Veterans of the armed forces receive benefits for total or partial temporary and permanent incapacity when the disability is service-connected. If the veteran served in

World War I or earlier wars, benefits are also payable, under certain conditions, for permanent and total disabilities that are not service-connected. The great majority of all American wage earners, however, have no protection under any public program against wage loss from disabilities of nonoccupational origin.

Voluntary insurance against extended disability is necessarily expensive when acquired on an individual basis because of heavy administrative costs and because many persons who take out such insurance know or fear that they are likely to need it. Nearly all major life insurance companies have ceased to issue policies of this type. Commercial insurance against loss of earnings during temporary disability has been increasing in recent years but is not likely to protect those most in need of it. The costs of such insurance are high, and relatively few workers can and will purchase it.

In disability insurance, as in old-age insurance and unemployment insurance, the objective is to replace part of the wage loss of workers who incur the risk, paying their benefits from funds to which they themselves and many others contribute while they are earning. Through contributory social insurance, which can average losses over large groups of people and over periods of time, the cost of disability insurance can be brought within amounts that workers and employers can pay.

The field organization, wage records, administrative experience, and other characteristics of the Federal old-age and survivors insurance system provide a ready framework for administering cash benefits under a long-term program of cash disability benefits, that is, during disability that has lasted for as much as 6 months. Benefits thus would be provided for the insured worker whose incapacity had forced his premature retirement from the labor market and for his dependents, just as payments now are made to workers retired for age. Costs would vary according to the scale of benefits and other benefit conditions; as in all long-term insurance in which eligibility has to be acquired, the total expenditure would be low at the beginning and would rise as additional beneficiaries were added to the rolls. With reasonably adequate provisions, the cost might be expected to represent the equivalent of about 1 or 2 percent of covered pay roll after the provisions had been in effect for 15 or 20 years. Much of the expenditure would represent a transfer to contributory financing of costs now met from public funds in the form of relief or institutional care.

Substantial provision against wage loss from temporary disability and the early period of a disability which might later be compensated under the long-term provisions could be financed from the equivalent of about 1 percent of pay roll. If separate systems were adopted for cash benefits in temporary disability and in extended disability,

provision for the two types should be coordinated to avoid gaps, to ensure continuity of protection for workers who continue to be disabled, and to bring about a proper relationship of benefit amounts. It is commonly considered that benefits in temporary disability should be somewhat higher than those paid over long periods of time, when a family has had more opportunity to make some adjustment to loss of the worker's earnings. There would be many advantages in unifying the two types of benefits under a single system, and such a plan deserves careful consideration.

Medical Care Insurance

Costs of medical care, like the wage loss due to sickness and disability, are unpredictable and largely uncontrollable for the individual but can be estimated within reasonably accurate limits for large groups of the population. Similarly, though the burdens incurred by some persons in any one year are difficult or impossible for the individual or family to bear, distribution of the total burden over periods of time and the whole group subject to the risk—the well and the sick—can bring the cost of adequate protection within the means of ordinarily self-supporting individuals and families.

Extent of Needless Sickness and Death

The figures on the volume of disability given above offer some indication of the extent to which the United States has failed to apply modern scientific knowledge and skills to prevent and cure sickness. Reports of examinations under the Selective Service System give further comprehensive evidence of the shocking extent of substandard health among men at the ages when vigor should be greatest. Rejection rates varied by race and occupation. The drag of physical and mental defect on the effectiveness of the American people is reflected in the fact that at age 18 more than one-fourth of all boys were found unfit for military service; at age 34 and all higher ages, more than half the men examined were rejected. Among occupational groups, the highest rates—ranging from 50 to 60 percent—were among domestic and farm workers, farmers, and emergency workers and the unemployed. The very high rejection rates among both white and Negro men in these groups probably reflect low income and failure to receive appropriate medical services as well as age and other factors. While some requisites for military service do not necessarily apply to peacetime pursuits, the majority of the conditions which caused rejection unquestionably handicap these men in civilian life.

Experts believe that from a third to a half of the defects and diseases of the men rejected in the Selective Service examinations could have been prevented with adequate medical care. A considerable proportion of these defects could be remedied with proper medical care. A study

of rejections in Hagerstown, Md., showed, however, that a substantial proportion of defects for which registrants were rejected in Selective Service examinations had been found in these men in school examinations 15 years earlier. Many or most of the men rejected by Selective Service are likely to continue to be handicapped by their defects in terms of efficiency, earning capacity, and length of life.

Comparison of prewar mortality rates in this and other countries indicates that the United States is far from having attained the place in health which it is commonly believed we hold or to which the Nation's wealth and material and scientific resources might entitle it. In infant mortality, the United States stood seventh among countries for which information is available; in death rates during childhood and adolescence, from eighth to eleventh—the rank differing for various age groups—and in deaths at ages 35–64, nineteenth to twenty-fifth. Death rates are high among the Negro population in the United States, as among other groups where income levels are low and health facilities meager. But even if comparison is restricted to the white male population, our country failed to rank first or close to first for any age group of the population; its place varied from fifth in infant mortality to thirteenth for deaths at ages after 60. During its more than 3½ years of participation in the most terrible war in history, the United States lost somewhat more than 250,000 of its people in battle or from war injuries. Yet *each* year we record many more needless deaths from causes that can be prevented or controlled.

Within the United States, differences in security of life are great. In 1943, for example, there was one State in which only 30 babies out of 1,000 failed to live out their first year of life and another State in which 92 in each 1,000 died. Similarly, within any State or city, sickness and mortality vary among population groups according to income. Sickness comes oftener and lasts longer, and death comes earlier, among the poor than among the well-to-do.

Reasons for Lack of Care

Standards of health among a people depend, of course, on many factors other than medical care—among them, the amount and distribution of national income, the level of education, the adequacy of sanitary safeguards and social services, and climate and other environmental factors. In most of these respects, the United States is, in general, in a fortunate position. Some needless sickness and deaths occur because people do not make wise use of medical resources that are actually available to them. Much of the great gap between the present levels of health and physical well-being in this country and those which we could attain by systematic application of existing knowledge and skill is due, however, to two factors: the paucity of public health and medical resources in some parts of the country, es-

pecially in rural areas, and the inhibiting barrier of medical costs which keep many persons from getting adequate care at the time when it could be most effective.

In 1941, the cities with population of 100,000 or more had nearly three-fourths of the child specialists in the country but less than one-fourth of the children under the age of 5. Some rural counties had only one physician under age 65 for as many as 15,000 or even 20,000 persons in the general population, while New York City had one private practitioner for each 482 persons; the District of Columbia, one for 467; and Chicago, one for 661. Half of all the dentists were in cities of 100,000 or more, which represented only 29 percent of the total population. Hospital facilities were also badly distributed. Only 5 States and the District of Columbia had what is generally considered the desirable minimum standard for general hospital beds, 4.5 beds per 1,000 of population. The 7 States in which per capita income was lowest averaged less than 2 beds per 1,000 of their people. These are also States where morbidity and mortality rates are very high and relative needs for health and medical services are especially great.

The maldistribution of the country's existing resources for public health services and medical care reflects in part differences in the fiscal resources that States and localities can or do devote to health purposes. It also reflects differences in the amounts which families can pay directly for such purposes. Hospitals cluster in cities where large numbers of people seek their services and financial resources are ample. Doctors also seek large centers, where they find the hospitals, laboratories, and other technical resources they need and where they have a better chance to build up an adequately paying practice. Rural areas and other low-income areas not only lack the numbers of doctors, dentists, and hospital beds they need, but also are handicapped by having less well-equipped facilities and, in general, older practitioners.

Meeting the Costs of Medical Care

The total bill for civilian health and medical services in the United States, including hospital construction, has been about $4 billion in an ordinary year, or about $30 per person. About one-fifth of the total is borne by public funds, but the lion's share—most of the remaining four-fifths—comes directly from family pocketbooks. Families pay about 4 percent of their incomes, on the average, for medical and hospital care, doctors, dentists, drugs, and so on. Low-income families average more than 4 percent of income; the well-to-do, less than 4 percent. The average amounts spent by families and the total medical bill of the United States are not large in relation to expenditures for some less essential items in family budgets. The disrupting impact of medical costs is the result not of the size of the average but

of two particular factors: the incidence of sickness and the character and concomitants of medical bills.

Needs for medical care are greatest among low-income families which have little or no margin above their requirements for other essentials. Though, on the average, such families have greater need for care and spend a larger share of their incomes for medical care than the well-to-do, they receive much less service. Moreover, for any family, medical bills are unlike any other item in the family budget. Medical costs are irregular; they ordinarily cannot be foreseen or controlled. Illness of the breadwinner commonly cuts down or stops income at the time when medical bills must be met, and sickness of any member of a household often adds unusual expenses for food, service, and the like. Even for people in comfortable circumstances, serious or prolonged illness may wipe out savings and pile up debts that it will take years to liquidate. The difficulty lies not in average costs but in the actual amounts that families must meet in one year or another.

There is no longer any significant difference of opinion about the need for applying the insurance principle to medical bills. Even the organized groups which first fought public health programs and have opposed public action in any medical care field—except on occasion services to the indigent—now include "prepayment" or insurance devices in their own proposals. There is substantial agreement among both professional groups and the general public that steps should be taken to make adequate medical care accessible to the large segments of the population which now fail to receive it and that the major means of attaining this result is to distribute costs over periods of time and among large groups of the population. The remaining difference of opinion is whether this should be done by public action, financed from insurance contributions, tax funds, or both, or through privately initiated prepayment plans.

Publicly financed medical care.—Certain fields of medical care have long since been accepted as a public responsibility, financed from tax funds. Among these is institutional care of nervous and mental diseases, tuberculosis, and other communicable diseases—conditions which endanger public health and safety and for the most part require long-continued care too costly for any but the richest families to pay for individually. Medical care of the armed forces has always been a responsibility of the Federal Government. The care available to ex-servicemen through veterans' facilities will represent public medical service for a considerable fraction of the population for both service-connected conditions and other types of ailments. The Public Health Service has long been responsible for the medical care of seamen. The "sick poor" have been a public responsibility from colonial times.

Though the medical needs of the poor are often met very inadequately, if at all, expenditures of the Federal Government, the States, and the localities for general medical services to indigents and other low-income groups total at least $150 million a year.

These various forms of medical care are "state medicine" in the sense that they are financed from public revenues, given through publicly owned facilities, and for the most part administered by physicians and others paid directly by governmental agencies. Such services and the public health activities maintained by Federal, State, and local governments have been responsible for many notable scientific discoveries and for great advancement in the knowledge and practice of medicine.

Voluntary insurance and prepayment plans.—Under other types of arrangements, costs of medical care have been distributed among groups of persons directly concerned, without use of general tax revenues. Nonprofit prepayment plans to cover certain hospital costs, and in some instances specified surgical or other medical care expenses, have enrolled a large number of middle-class families. Policies are also sold by commercial companies on either an individual or group basis to indemnify specified hospital, medical, or surgical expenses. In all, perhaps about 40 million persons have some protection against hospital and medical costs under the Blue Cross and other prepayment plans and commercial insurance; the actual figure is unknown and may be somewhat higher or lower. Only a few million, however, have comprehensive protection under such arrangements.

Individual insurance against medical costs, like that against wage loss in disability, is necessarily expensive because it attracts bad risks—persons who know they are likely to be sick—and entails high costs for competitive selling and other administrative expenses. Many of the group prepayment arrangements for medical care are also expensive for the protection they offer. Such plans can and do include safeguards against adverse selection to at least some extent by requiring that a given proportion of the employees in a firm join the plan, by excluding employees' dependents and thus restricting coverage to gainfully employed persons, by limiting the services provided for dependents, by fixing additional fees for certain services, or by requiring entrance examinations. Such provisions result in the exclusion of many of the groups of persons most in need of protection and severely restrict the services available in relation to actual needs for medical care.

The total membership in hospitalization plans, the only type of prepayment plan with substantial membership, has grown rapidly in recent years because of the establishment of new plans. A new plan is likely to grow rapidly at first, showing the community's recognition

of the need for such arrangements; then growth tapers off as the membership approaches the number of people in the community who are eligible to join, can be interested, and can pay its charges. Even if the increase in membership can be maintained at the average number in recent years, when new plans have been starting and economic conditions have been highly favorable, hospitalization plans will take a generation or more to extend their limited form of protection to the great body of American workers and their families. For plans providing medical service, the present rate of growth will require several generations to include the whole working population and their dependents. That is too long a time for children growing up now, for young people who look forward to a long and useful life, for any who want and need what modern medicine can offer to help them live vigorously and live out their time. Moreover, it seems unlikely or impossible that the present rate of growth can be maintained. It is difficult and expensive to establish and administer privately initiated prepayment plans where health needs are greatest—in small places or in rural areas or among low-income groups. Such arrangements have been, and doubtless will continue to be, for the most part a development in large cities and for middle and higher-income families.

Privately initiated prepayment plans of medical care insurance are performing valuable functions within their limited field. They are necessarily more costly than the arrangements that can be evolved with wider sharing of sickness risks and with the administrative economies feasible for large units. Their great shortcomings are that they give only limited protection, reach too small a share of the population, and fail to reach the groups in greatest need of insurance. Neither our limited experience in the United States nor the more comprehensive experience of other countries indicates any likelihood that such arrangements can be adapted to serve these groups or to serve the need of the whole Nation to attain higher standards of health.

Social insurance against medical costs.—Just as the early settlers realized that it was in the public interest to assume public responsibility for the sick poor, for persons with communicable diseases, and for the mentally ill, so the lessons of depression and war years have driven home the fact that the United States cannot afford the vicious circle of sickness and poverty that exists unnecessarily in our country. Ten years ago, the Nation became convinced that we could not afford the social risk of old-age dependency. Now, the Board believes, the time has come to take comprehensive action to minimize the insecurity and dependency that arise from failure to get adequate medical services.

Medical care insurance is a method of enabling families which are commonly self-supporting to pay for the medical care they need

through small, regular contributions to a fund from which payments are made to the hospitals, doctors, and others who furnish services to those who need them. Persons dependent on public funds could be covered by payment of contributions on their behalf by the agencies administering public assistance. They could thus receive needed services just as others received them, without the stigma and inadequacy commonly associated with "poor law" medicine.

The object of social insurance against medical costs is to remove a financial barrier which keeps people from getting service promptly when they need it, from getting adequate service, and sometimes from getting any service at all. Such insurance is not socialized medicine but a method of payment. The Board believes that patients should be free to choose their own doctor from among all who elect to participate in the system and to change doctors if they wish, and that doctors should be free to reject patients. There need be and should be no fear of "regimentation" of patients, doctors, or hospitals. Rather, with assurance that the bills will be paid from the common fund, patients will be freer to seek the care they need, and hospitals and medical practitioners will be freer to make use of the best that modern science has to offer and will have both incentive and opportunity to improve standards of medical service. Both institutions and individual practitioners would have far greater assurance than at present of steady and adequate income. This assurance will tend to make for better distribution of medical care resources as well as greater and better use of existing resources, though additional measures are needed to provide adequate hospital facilities in low-income areas which now lack them. The Board believes that establishment of a comprehensive system of medical care insurance need not and should not supplant many existing group arrangements for medical care for persons who may wish and be able to take advantage of additional services such arrangements can offer.

For the reasons outlined in the following pages, the Board believes that the simplest, most economical, and most effective basis for medical care insurance would be through Federal legislation to establish comprehensive protection. Such legislation might authorize the use of State and local official agencies in administration of the insurance system, and the use of public and private agencies, facilities, organizations, groups, and individuals in furnishing services to insured persons. In any event, administration of benefits should be decentralized under arrangements worked out locally with doctors, hospitals, and others concerned.

The general pattern of arrangements with hospitals and doctors should be developed with the collaboration of professional organizations, with careful regard for the circumstances in a region, State, or locality, and with wide latitude for the participation of all existing

organizations and use of other resources for medical and health services, and with adaptation to the community's customs and preferences. Individual doctors and groups of doctors should be free to choose the method by which payments would be made to them from the funds received in insurance contributions. A portion of the receipts of the system should be invested in research to extend knowledge of better means of preventing and caring for sickness and disability. In each area of administration—local, State, and Federal—policies and operations should be guided by advisory bodies representing the contributors to the system and the groups which furnish services.

Interrelationships of Social Insurance Programs

In the United States, as in other countries, various measures for economic security have been established at different times and for different groups in the population. A particular cause or the plight of a particular group gains public recognition and a law is passed. In time, several laws may deal with different parts of the same problem while other serious needs go without attention. From the standpoint of the Nation as a whole, gaps and overlapping and serious differences in the protection available to different groups inevitably result. Then comes a period, such as most of the world's democracies have been facing in recent years, in which it is necessary to reexamine the whole series of measures relating to social security, to remove inequities, fill in gaps, extend and coordinate provisions that have proved useful, and thus to work out a program that will be safer, stronger, and more effective. After 10 years' experience under the Social Security Act, the Board believes that this country now has the information and experience necessary to strengthen social insurance in the United States.

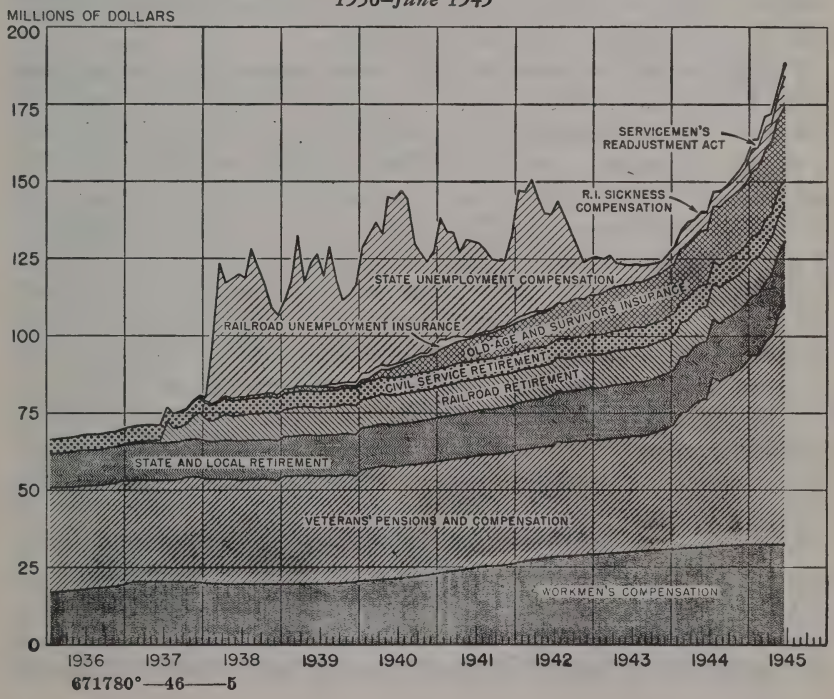
Such a step probably would have seemed advisable in the ordinary course of the development of the social security program; the legislators and others responsible for its establishment regarded some of the social insurance provisions of the act as experimental and the accomplishments of 1935 and 1939 as only the foundation of a system still to be completed. Added reason for action now is given by problems that have been intensified by the war and by the Nation's determination to secure continuing economic well-being in peace. Recommendations offered in earlier pages of this report outline changes which the Board believes desirable in particular provisions for social insurance. An adequate program of social insurance requires, further, that these be geared in with one another to form a whole which assures a reasonable minimum of economic security to all employed persons and their families.

Discrepancies in Social Insurance Protection

The objective of social insurance is to provide, for all the working population, a basic minimum protection against involuntary interruption of earnings or loss of capacity to earn and against other common risks to family livelihood, such as the costs of medical care. Our present system is incomplete in the coverage of both risks and persons. Among those who have some protection under the Social Security Act or related public measures affecting similar risks, there are great and wholly illogical differences in the extent and character of protection.

Conceivably, for example, an individual might work at some time during the course of his working life in jobs covered by Federal old-age and survivors insurance, the Railroad Retirement Act, the Civil Service Retirement Act, and the retirement plan of a State or locality. According to the length and timing of such employments, he might become eligible to receive retirement benefits under one or more or all or none of these plans. Another man, with similar earnings and possibly even a similar occupational record, may go through a working life without ever holding a job that enables him to earn retirement rights under any program. Conceivably the survivors of a worker who dies might be eligible for benefits under the Federal old-age and survivors insurance system, under a State workmen's compensation law, and

Chart 8.—*Payments under selected social insurance and related programs, January 1936–June 1945*



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under legislation for veterans. Another family, equally in need of income to replace the father's earnings, may have had no opportunity to gain protection under any of these programs. Similar anomalies in coverage and in extent of protection occur under the various provisions of the State unemployment compensation laws. Among workers who feel they have substantial protection against old-age insecurity and unemployment, there are relatively few who would not be reduced to dependency on relatives or public agencies if they met with a long period of incapacitating illness.

The course of past development has brought about a piecemeal approach to social security which wholly disregards large groups of our people, results for a few people in undue protection against a particular hazard, and overlooks the fact that at some time in its existence nearly every family will have occasion to need provision for meeting any one of the major risks to their economic independence.

A Comprehensive National Social Insurance Plan

The Social Security Board believes that the most effective and economical method of providing social insurance in the United States is through a comprehensive national system which could be supplemented by special or additional programs. The basic system would afford minimum protection against all major risks and for substantially all persons to whom the particular risks apply. Major characteristics of such a system were outlined in the Board's *Eighth Annual Report* and are given here even more briefly.

A single social insurance program would necessarily be established under Federal law, following the precedent of old-age and survivors insurance, the most comprehensive single program of social insurance in the United States. Administration should be decentralized. Experience in old-age and survivors insurance has clearly demonstrated the simplicity and economy of this form of operation and the feasibility of giving individualized services through local offices which become as closely interwoven with the life of the local community as the local post office. Since social insurance bears so directly on the interests of various groups in the population, it is also important that in any area of operation—local, State, or Federal—there should be advisory councils and appeals bodies. Such bodies would provide for appropriate representation of the general public, contributors to the system—workers and employers—and the special interests of particular groups, such as the medical profession and the hospitals.

A basic system should afford insurance against involuntary loss of earnings for any of the common reasons not within the control of individuals—temporarily, during the sickness or unemployment of the breadwinner, or for longer periods, during extended disability and old age, or at his death. It should include medical care insurance.

Provision for all these risks within a single basic system would make it possible to establish proper relationships between the amounts and duration of benefits under the several programs, to avoid gaps and duplications, and to have the simplicity and economy of a unified administrative organization.

Insurance against all risks should be available to all gainfully occupied persons except that temporary disability insurance, for at least the first few weeks of disability, and unemployment insurance cannot be provided appropriately for self-employed persons since there is no practical test of their loss of earnings in brief periods of disability or through "unemployment." Self-employed persons, however, should be included immediately in permanent disability insurance and medical care insurance, as well as in old-age and survivors insurance. Under all programs, provision should be made for a worker's dependents.

A social insurance system in which benefits are related to past earnings provides automatic adjustment to the wages and levels of living prevailing in various parts of the country. Maximum and minimum limits of benefits are geared to considerations of social adequacy in relation to the purpose the law is designed to serve. Within the maximum and minimum limits, the same formula would be used throughout the country to determine the amount of an individual's benefit, as now in old-age and survivors insurance. Though the formula would be the same, the prevailing levels of benefits would obviously be higher in high-wage cities and States than in places where wage rates were lower. With comprehensive coverage, the benefits paid would be related more closely than at present to the wage loss actually suffered by many workers, since an individual's earnings in any job he had had could be counted in computing his benefit.

Under a unified basic system, a single local office could serve employers and workers with respect to any part of the program with which they were concerned. Only one wage record would need to be maintained for a worker; now the Federal Government must keep records for old-age and survivors insurance and the States, for unemployment compensation. Only one contribution would be paid for an individual and only one wage report made by employers on his behalf. At present the great majority of employers in commerce and industry must make both Federal and State reports for social security purposes and, if their business operates in many States, may have to make literally dozens of reports under different laws and regulations and on different forms. This duplication adds appreciably to both administrative costs of the system and business expense.

Contributory social insurance automatically provides the funds to pay benefits and automatically controls costs. The Board believes that a comprehensive social insurance system should be financed in

part through a Government contribution as well as the contributions of employers and employees. The Revenue Act of 1943 authorized a Government contribution for old-age and survivors insurance, if receipts from pay-roll taxes should become insufficient. A three-way division of costs makes possible a fair and rational assessment of the three types of responsibility inherent in social insurance—individual, industrial, and social. Since a very large proportion of the population would have protection under such a system, a Government contribution from general tax funds would be warranted. The stabilizing effect of a comprehensive and adequate system would be of importance even to persons who did not share in it directly, and public costs otherwise necessary for assistance and social services would be gradually reduced as the insurance system took over responsibilities that now must be financed from general tax funds.

Costs of a comprehensive system of social insurance must be considered in relation to the costs and losses which exist in its absence. Whether or not there is social insurance, substantially the same costs exist in the form of losses of earnings from sickness, disability, unemployment, old age, and death, and in medical bills. When social insurance is lacking, these charges appear in the costs borne by the unfortunate families concerned and the public that foots the bill for relief and public services and in the loss of potential business and national income when many families are in economic distress. Under social insurance, large losses suffered by a part of the population are distributed over the entire population. The relatively small amounts paid out in social insurance benefits have an importance beyond their size both to those who receive them and to the economy as a whole. By definition, they go when and where purchasing power has been reduced or cut off, help to bridge over temporary situations and ease unavoidable personal and social readjustments, and so help to maintain health, national productivity, and public morale and to sustain individual enterprise and economic independence.

Public Assistance

Public assistance under the Social Security Act aids people who are out of the labor market or on its fringe—the aged, the blind, and children deprived of support or care by reason of the death, absence, or incapacity of one or both parents. The decline in the recipient rolls of all these programs during the war years reflects the extraordinary opportunities for employment, the general improvement of earnings in low-income families, and additional sources of income, notably the Government allowances paid to servicemen's dependents. Some old or blind people and some boys and girls who otherwise would have been on the assistance rolls found means of self-support.

More frequently, however, improvement in the circumstances of other members of the family made it possible for recipients to leave the rolls or made applications for aid unnecessary on the part of people who otherwise would have had to ask for assistance. In particular, many families which otherwise might have required aid for dependent children have been supported by the earnings of the mother and older children or allowances and allotments from sons and daughters in the armed services. Unfortunately, many mothers who should have remained at home were forced into the labor market because, with the rise in living costs, the payments for aid to dependent children were totally inadequate.

The end of the war reverses many of the factors that have reduced assistance rolls. At least temporarily, it will be increasingly difficult for marginal workers to keep jobs. Many other persons in the wartime labor force will have lower earnings. The effect of the easing of the labor market on the three special types of assistance became apparent during the fiscal year 1944–45, when declines in the recipient rolls leveled off.

Wartime levels in the three special types of assistance probably represented a low point that could not have been reached or maintained except in extraordinary circumstances and was perhaps the minimum to be expected for many years. The families represented by recipients or potential applicants for such assistance are, by and large, at the bottom of the economic ladder. Any dislocation among workers on the higher rungs inevitably forces down the people who have been barely able to maintain economic independence during even the war years so that they or others who have relied on their earnings may fall into dependency. The potentially eligible groups in the population are increasing because of the continuing increase in the number and proportion of the aged in the total population and the wartime rise in marriage and birth rates, with consequent increase in the number of families with young children.

On the other hand, the Federal old-age and survivors insurance system is providing income for some families which otherwise would need assistance. Already more children are receiving survivor benefits under the insurance system because of the death of the father than are receiving aid to dependent children for the same reason. In the fiscal year 1944–45, the number of aged insurance beneficiaries in some large cities exceeded the number of recipients of old-age assistance. The extent to which the insurance program may replace needs for the special types of assistance in the immediate post war period depends, however, on many factors. Broadening the coverage of that system and raising benefit amounts obviously would enable it to avert more dependency than can be prevented under the present provisions. General price levels also have an important bearing. Any marked

rise in living costs would make it impossible for insurance beneficiaries and others to live on small fixed amounts acquired through earnings in earlier years, and many would require supplementary assistance.

The recency of the establishment of the insurance program, its limitations in coverage and benefit amounts, and the lack of any general insurance provision to replace wage loss in disability make it clear that assistance must remain an important means of combating need in old age and among children and the handicapped for at least some time to come. For all groups in the population, assistance must remain a second line of defense, no matter how comprehensive the provision for social insurance.

To complement insurance adequately, assistance provisions must be sufficiently flexible to provide for need in any group of the population and for need arising from any cause. The special types of assistance under the Social Security Act lack that flexibility, since by definition they are limited to particular groups, while eligibility conditions of the State programs, as well as limitations of available State funds, further restrict them. Since the liquidation of Federal work programs and other Federal emergency programs in 1943, the only commonly available form of public assistance for persons not eligible for the three special types has been general assistance, financed wholly by States or localities or both, without Federal financial participation.

The decline in the number of recipients of general assistance was much sharper than in the special types of assistance, and the postwar rate of increase is likely to be quicker and greater. General assistance is the only common form of public aid for families of unemployed workers who are without benefits or have used up benefit rights or qualify for amounts too low for subsistence. During the war years, the most common single reason for granting general assistance was loss of earnings because of the sickness or disability of a breadwinner; such need inevitably increases when earnings and savings drop, jobs are fewer, and there is less chance for secondary earners to help carry the family. The majority of general assistance cases represented individuals who were not part of a family group; now a rising proportion of applicants will represent larger families, particularly families with children, which at all times live nearest the margin of subsistence. We are likely to think of wartime earnings in terms of the wage rates of skilled workers, not the low earnings of marginal people who have been able to get jobs only when the labor supply became short and have barely maintained themselves and their families in even the war years. Many such families have no resources to tide them over for even a few weeks, but they are the families for which the postwar readjustment will be most difficult.

The ending of the war intensifies the need to revise the basis of Federal financial participation in public assistance. Large wartime installations have been established in low-income States which have lacked the means even during the war to meet continuing need within their borders. Collapse of boom towns, loss of earnings by many who have helped support their relatives, and cessation of allowances to servicemen's dependents are particularly serious in areas where incomes at best have been small. Greater recognition of our national stake in meeting need promptly and adequately is required to ease distress among many persons whose age, youth, or handicaps bar them from self-support and to provide a flexible means of meeting various types of acute need among other groups.

Federal Funds for General Assistance

In its annual reports for the past four fiscal years the Social Security Board has expressed its belief that the Federal Government should share the costs of general assistance. Only an adequate program of general assistance can have the flexibility required to meet need quickly among any group of the population and to deal with need irrespective of its cause. General assistance is required for incapacitated adults other than the aged and blind, the only handicapped groups now eligible under the Social Security Act; for children in need for reasons other than the death, absence, or incapacity of a parent—the only conditions under which families can receive aid to dependent children under the act; for the marginally employable persons who have been forced out of jobs and will have difficulty in regaining the means of subsistence; for unemployed persons who lack other resources and persons whose earnings or other resources are too low to meet basic subsistence needs; and for people who need interim assistance, such as temporary aid during illness.

The local origin and traditions of general assistance make our present programs in this field wholly inadequate. In the calendar year 1944, localities still bore the entire financial burden of general assistance in 12 States and the greater part of the burden in 14 others. The restrictions on revenue available to governmental units as small as counties, cities, and towns limit sharply the resources they can muster. Because of the extent of local financing and local tradition, general assistance varies even more widely than the special types of assistance from place to place and State to State. In 1944, expenditures for general assistance represented $1.88 per inhabitant in one State and about one cent per inhabitant at the other extreme. In general, expenditures were highest in States where average income was high and need presumably less extensive and severe; least was spent in the States where poverty was widespread even in wartime. General assistance is most nearly adequate in the large cities and is little

developed in many rural areas that have been hit hard by problems of transition to peace; in some such areas it is wholly lacking.

Because of its local tradition and development, general assistance is also greatly restricted by residence requirements, which are commonly built about the settlement laws. The effect of this restriction—serious at any time—is particularly great in a period like the present, when wartime conditions have caused millions of people to move from one place to another and from State to State. Moreover, many now must again cross county and State lines in search of opportunities to reestablish themselves. As a result of the settlement laws, it is not uncommon for families to be left without settlement in any State or locality because the length of settlement varies from place to place and because some localities make it easier to lose settlement than to gain it. A family may have a settlement status but cannot prove it because it depends on the status of the parent or spouse who is absent from the home. Legal settlement may not be the same for all members of the family. A family may have a single place of legal settlement, yet from the point of view of their well-being and ability to support themselves, staying in that place or returning to it is highly illogical.

The Social Security Board believes that extension of general assistance so that adequate aid will be available to any needy person on the basis of need alone, is an essential part of an adequate program of social security. Federal financial participation in general assistance should follow, with modifications proposed below, the arrangements already existing under the Social Security Act for the three special types of public assistance.

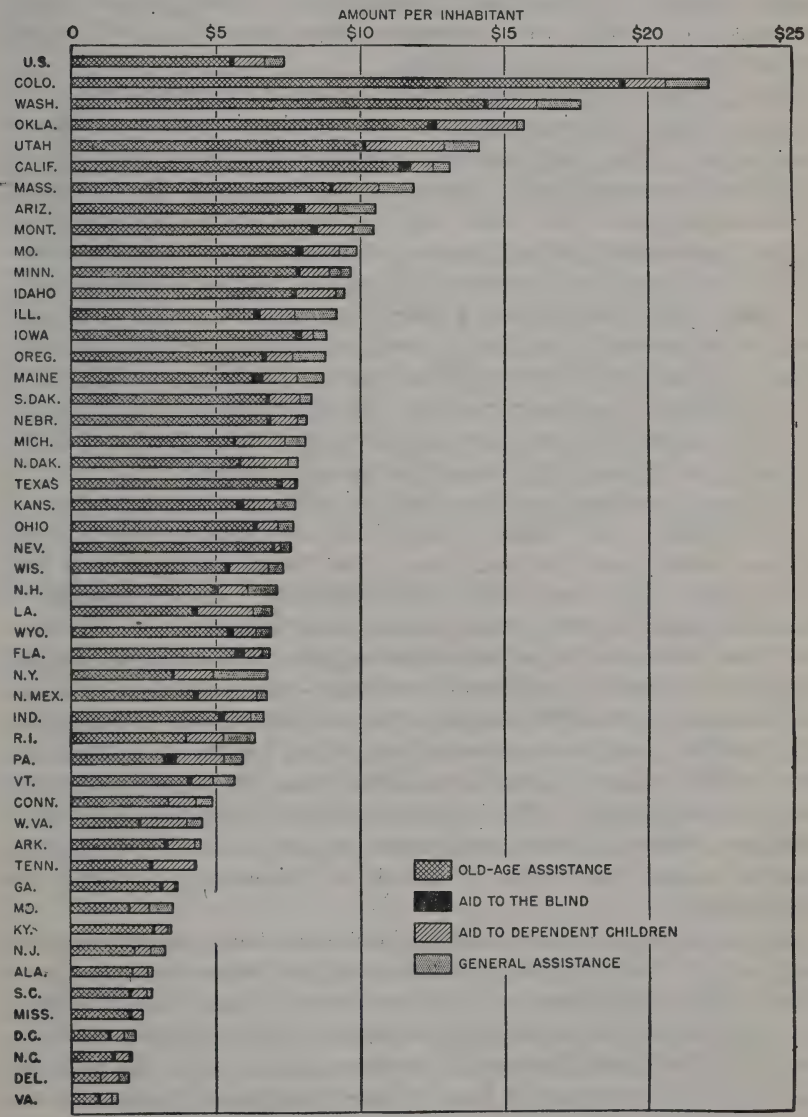
Special Federal Aid to Low-Income States

Only less urgent than the need for strengthening general assistance is reconsideration of the basis for Federal financial participation in all assistance programs. The Federal Government makes matching grants-in-aid to States to meet half the costs of individual payments, up to specified maximums, for recipients of old-age assistance, aid to dependent children, and aid to the blind, under State plans approved by the Social Security Board, and pays a part of the cost of administering such plans. As a result of the equal-matching provision, the amount of the Federal grant for a State's program is governed by the amount the State or the State and its localities themselves provide. When a State can and does put up a large amount for public assistance, it receives a large Federal grant. If its own appropriations for the program are small because of necessity or choice, the Federal contribution is correspondingly small.

Moreover, in most of the 28 States that require localities to share in financing public assistance, the amount a locality puts up for matching determines how much it gets in State and Federal funds. Under

these provisions, States with small economic resources, and poor localities within richer States, lack the funds to finance decent standards of assistance. Too often the amount of a payment to a needy old person or blind person or child depends on where he happens to live, not on what he actually needs. Need is usually more prevalent in the poorer communities, and even a highly inadequate assistance program

Chart 9.—*Amount expended per inhabitant for public assistance payments in the continental United States, by program, for each State, 1944*



may represent a greater fiscal burden for a poor community than a fairly adequate program represents in more prosperous places.

In paying assistance, the State program is designed to furnish the difference between anything a needy person himself has and what the agency finds he requires for shelter, food, and other basic essentials. If relatives are helping him regularly or if he has regular earnings, such resources are taken into account in deciding how much assistance he should get. Payments to individuals, therefore, are for very different amounts. The average payment in a State reflects small amounts for people who themselves have something and larger amounts for those who have nothing.

When a State lacks enough money to meet the requirements of all needy applicants and recipients, one or a combination of several things may happen. The State may decide to limit the amount that can be paid to any person or family, however great their need. In computing assistance payments, the State may decide to limit consideration to certain requirements of recipients—food, shelter, and fuel, for example—and not consider other essentials, such as clothing or medical care. Or it may reduce the amounts allowed for particular requirements, or may make a general ruling that no needy person shall receive more than a part—perhaps two-thirds or three-fourths—of the amount the State agency believes he actually requires. Or the State may try to maintain its standards of assistance for the people it has on the rolls by taking on other needy persons only as cases are closed.

All these practices have been used in public assistance under the Social Security Act. Some of them have been used in one place or another during even the war years, when States and localities had much greater fiscal resources than previously. As a consequence, States continue to differ greatly in standards of assistance. In June 1945, the average old-age assistance payment, for example, ranged from $11.42 a month in Georgia to $48.29—more than four times as much—in the State of Washington. In aid to dependent children, the range in the monthly average was from $20.80 per family in Texas to $90.20 in Washington; in aid to the blind, from $12.96 in Kentucky to $54.12 in Washington. Even greater are the differences in general assistance, where the average payment per case (a family or an individual) ranged from $8.50 a month in Mississippi to $48.49 in Washington.

In general, payments are small in the States where poverty and need are greatest. The range in payments among the States is far too great to be explained by differences in costs of living. There can be no doubt that the present basis of financing assistance under the Social Security Act yields far less in Federal aid in communities where the need for such aid is greatest than it does in more prosperous places. In the fiscal year 1944–45, for example, the 12 States with the lowest average

income had 21 percent of the population of the country but received only 15 percent of the total amount granted by the Federal Government for public assistance.

As both depression and war have shown, all sections of the country are economically interdependent. Markets are Nation-wide, and many business enterprises, wherever they happen to be located, draw their labor, their capital, and their profits from all parts of the country. Because the welfare of each part is of direct concern to the prosperity of the whole, the Social Security Board believes that it is in the national interest that all States should be able to provide a basic minimum security for all their needy people. Except in a few isolated instances, States have demonstrated their willingness to spend their money for assistance when they have it. As living costs have risen and fiscal conditions improved during the war years, average monthly assistance payments have increased in all States. In most of the low-income States, however, assistance has continued to be woefully inadequate.

The Board therefore recommends that special Federal aid be granted to low-income States for the three special types of assistance and for general assistance. High-income States, perhaps defined as States with per capita income above the national average, would continue to receive dollar for dollar, as under present provisions of the Social Security Act, but the States with low economic ability would receive more than a dollar in Federal funds for each dollar they themselves provide. The addition would be relatively greatest for the State whose economic ability is relatively least, with appropriate gradations for others.

State Distribution of Federal and State Funds

Increase in Federal grants to low-income States will not result in equitable treatment of needy persons unless satisfactory ways are worked out to apportion Federal and State funds among the counties or other subdivisions within a State. Localities vary greatly both in the extent of need and in their resources to meet need. When local financial participation is required, local officials have two alternatives if need is great and fiscal ability is low: they can limit the amount they spend for assistance to some fraction of what is actually required or they can place an extremely heavy burden on local taxpayers. More often than not, they do both. In one State for which data are available, the 10 poorest counties, as a group, spent 4½ times as much for old-age assistance per $100 of assessed valuation as the 10 richest counties. Most of the poorest counties assisted a larger proportion of their aged population; despite their greater tax efforts, their old people received less, on the average, than recipients in more prosperous parts of the State. The Board believes that, just as the

Federal Government should vary its share of assistance according to the economic ability of the State, so the State should distribute Federal and State funds to localities in relation to their needs and, where the localities participate in financing, also in relation to their fiscal ability. The objective is to meet need in full in all parts of a State according to the standards the State establishes.

Federal Grants for Administering Old-Age Assistance

The Board also believes that Federal sharing in administrative costs for old-age assistance should be on the same basis as for aid to dependent children and aid to the blind. At present the Federal Government shares equally with the States the cost of administering aid to dependent children and aid to the blind. For administering old-age assistance, the Federal Government contributes an amount equal to 5 percent of its contribution for assistance. In some States, this amount meets considerably less than half the total cost of administration.

Federal Matching Maximums for Individual Payments

The amount of assistance which the Federal Government shares equally with a State is limited to a Federal-State total of $40 a month for a recipient of old-age assistance or aid to the blind and $18 for the first child and $12 for each other child aided in a family receiving aid to dependent children. Thus Federal funds may represent no more than $20 a month of the payment to an aged or blind person and, for families receiving aid to dependent children, $9 a month for one child receiving aid and $6 additional for each other child aided. States may, and many do, make payments in excess of the Federal matching maximums, but they must pay all the additional amount from State or local funds.

The maximum limits for Federal participation are particularly serious in aid to dependent children, since the amounts are lower and no allowance is made specifically for the mother or other relative who cares for the child. While the payments to an aged couple, both of whom are eligible for assistance, may include as much as $40 a month in Federal funds, that to a mother with one child may not include more than $9 a month in Federal funds. As a consequence, the Federal Government pays only about one-third the total cost of aid to dependent children, as compared with about half the cost of old-age assistance and aid to the blind, because States must add unmatched funds to give these families even the bare essentials.

A considerable number of States have raised their maximum payments for some or all assistance programs, and some have removed maximums entirely so that recipients with exceptional requirements, such as need for costly medical care, may receive whatever amount

the State agency finds necessary and can finance. For old-age assistance and aid to the blind, some 25 States, and for aid to dependent children, some 16 States, still limit all payments by law or practice to amounts which the Federal Government will share equally. These limits tend to hold down assistance to the recipients in greatest need. The Board believes that maximum limits on Federal matching should be eliminated for aid to dependent children, so that the Federal Government will pay its full share of whatever amount the State agency finds necessary, and eliminated or raised for old-age assistance and aid to the blind.

Medical Care of Needy Persons

Sickness and poverty go hand in hand. Need for medical care is greatest among the people who are least able to purchase it. Conversely, in all but times of mass unemployment, sickness and premature death together constitute the greatest single cause of poverty and dependency. Preventing and curing illness is a prime means of eliminating not only individual suffering but also unnecessarily large public burdens for relief.

Of the 640,000 children receiving aid to dependent children at the beginning of 1945, probably more than three-fifths were in need because of the death or disability of one or both parents. Many old people are on the assistance rolls because ill health kept them from earning and saving in their earlier years or because the sickness or death of others has deprived them of what would normally have been their source of support in old age. Many recipients of aid to the blind are suffering from eye ailments that would have yielded to timely care or could even now be ameliorated by proper care. In 19 large cities which report to the Board regularly on general assistance, about 38 out of every 100 cases accepted in 1944–45 were in need because of loss of earnings through sickness or disability.

Federal funds granted under the Social Security Act may be used only in unrestricted cash payments to recipients and for a share of administrative costs of the State program. Federal funds cannot be used for payments made directly by a State agency to hospitals or doctors who provide care for recipients. Allowance may be made for medical requirements in determining the amount of the monthly cash payment to a recipient. State maximums and the limits on Federal matching and on State and local assistance funds, however, all tend to nullify the potentialities of such an arrangement. Medical bills commonly are uneven, unexpected, and too large to be fitted into the meager budgets of recipients. Moreover, the principle underlying the unrestricted money payment of assistance is that people should be free to plan and manage their own affairs; with sick people this may not be the case. They may not know how to go about getting

medical care and, even when they do, may have difficulty in getting it, particularly if they must ask for credit.

The Social Security Board has recommended establishment of medical care insurance to meet costs of medical care of workers and members of their families. The sharing of risks and the prepayment of costs on a fixed basis would make it possible for people who are ordinarily self-supporting to meet their sickness bills. Prompt and adequate medical care would help to prevent much needless loss of health and life that now reduces families to dependency. In addition, the system should include arrangements to permit assistance agencies to insure recipients, paying the contributions on their behalf, so that they too could receive paid medical services just as others do in their community.

In the absence of such a system, assistance arrangements, now meager in most communities and almost wholly lacking in some, are the major recourse of sick people who are in need. Federal participation in general assistance, additional Federal aid to low-income States, and lifting or removing the Federal matching maximums for individual payments are all necessary to enable the assistance programs to meet immediate urgent medical requirements as well as other requirements of needy people. In addition, the Board believes that Federal participation should be authorized in payments made directly by the assistance agency to doctors, hospitals, or other agencies that furnish medical care to assistance recipients.

Many of the public and other groups directly concerned, including State legislatures, the Council of State Governments, and the American Public Welfare Association, have long urged that the existing public assistance program be strengthened and that Federal grants-in-aid be extended to general assistance. In 1938, the House of Delegates of the American Medical Association advocated "recognition of the principle that the complete medical care of the indigent is a responsibility of the community, medical and allied professions and that such care should be organized by local governmental units and supported by tax funds," adding that "the necessity for State aid for medical care may arise in poorer communities and the Federal Government may need to provide funds when the State is unable to meet these emergencies."

Residence Requirements

The residence requirements for eligibility for the three special types of assistance, and the even more rigorous requirements in most places for eligibility for general assistance, are a major obstacle to aiding needy persons. The difficulties experienced in earlier years have been intensified by the movement of population during the war, when both patriotic and personal considerations caused nearly 8 million civilians

to move across State lines. Never before in the history of our country has there been so great a shuffling and redistribution of population in so short a time. Now when a family is no longer able to support its older members without public help, or when old or handicapped people no longer can cling to jobs they have been able to hold during the labor shortage, residence requirements will bar many applicants for assistance from receiving aid in either the State to which they have moved or the State where they formerly lived. Their enterprise led them to move when Government and business both urged them to go where workers were required; yet now, if misfortune overtakes them, many will have lost their right to public aid.

The Social Security Act specifies only the maximum residence period that may be required by a State that receives Federal funds—for old-age assistance and aid to the blind, not more than 5 out of the preceding 9 years in the State, with a year immediately preceding application, and for aid to dependent children, a year's residence preceding application on behalf of the child or birth in the State within the year preceding application if the mother resided in the State for a year preceding the birth. Under the approved plans as of July 1, 1945, 37 States still retained substantially these maximum requirements for old-age assistance, 27 for aid to the blind, and 46 for aid to dependent children. Others had shortened the period of residence required for eligibility in varying degrees, while 3 States had eliminated it for aid to dependent children and Rhode Island had abolished residence requirements for all three special types of assistance and for general assistance. It has been argued that an influx of applicants would result if residence requirements were lowered or removed in States with relatively high standards of assistance. There is no evidence, however, that such a result would follow. Moreover, the effect of additional Federal aid to low-income States would be to reduce the present large variations in standards of assistance.

It seems clear that considerable shifts in population will and should occur for some time during the peacetime readjustment. Moreover, it is probable that mobility of labor, which has characterized our past economic development, will continue to prove an adjunct to economic progress and development. The restrictions imposed by residence requirements entail hardship—and often added public costs—for old people and others who have good reason to shift their residence, for example, to live with relatives who could house them but cannot support them fully or to move from a city to a village where living costs are lower.

Adoption of the recommendations made in earlier pages would substantially increase Federal financial participation in all States—in the poorer States through special Federal aid and in all States through

Federal participation in costs of general assistance and of medical services to recipients and in higher individual payments for persons who require them. The Board believes that this extension of Federal participation should be contingent on removal of State residence requirements for eligibility to public assistance.

Other Limitations on Assistance Programs

The Federal act authorizes use of Federal funds for children who lack support or care because of the death, absence, or incapacity of a parent, and are living with certain specified relatives. Federal funds, however, may not be used for children who may be in equally serious need because of the parent's unemployment or underemployment or for children who are living with a cousin or a legal guardian or in a foster home. The Board believes that aid should be available to a child who is in need for any reason and is living with a natural or adoptive parent, legal guardian, or relative. Substantially the same objective could be achieved through the Board's recommendations on Federal participation in general assistance. One or both changes, however, are urgently necessary to assure more nearly adequate provision for needy children. The Board also believes that appropriate provision should be made under the Social Security Act for the care of a child who is in need of foster-home care.

The war has reemphasized the fact that a Nation's greatest asset is the vigor and quality of its people. Yet in the development of provisions for social security, children, who have little power to plead their own cause, have fared less well than certain other groups. A disproportionately large part of the Nation's future workers and leaders and defenders are growing up in homes where income is meager and opportunity is limited. Adequate provision for dependents under the social insurance programs and adequate assistance are investments that the Nation must make to assure its own future.

The Social Security Act likewise requires that, to be eligible for aid, children aged 16 and 17 must attend school regularly. Suitable school facilities are lacking for many older children, particularly in rural areas. Other circumstances, such as the illness of the child, may make it necessary for the child to remain at home. The cost of administering the requirement of school attendance as a condition of eligibility for public assistance has proved out of proportion to any individual or social value it might appear to have. The Board recommends that it be deleted.

The Social Security Act imposes only general conditions for approval of the State plans for the operation of which Federal grants are available. Within these conditions, the act leaves eligibility requirements, definition of need, and other provisions to the decision of the State. Though State programs have been broadened and lib-

eralized appreciably, some States still impose requirements, such as citizenship, that restrict the operation of their programs and the amount of Federal funds they could otherwise claim under the existing provisions of the act. Needy persons excluded by such restrictions may receive general assistance, paid by the State or locality alone, or no aid at all. Through its regional staff and in special communications, the Board has recommended that all States follow, insofar as their resources permit, the example of some that have already abolished residence, citizenship, or other eligibility restrictions, or have removed maximum limits on assistance payments or other unduly restrictive provisions. Among these last, for example, is the practice in some States of refusing assistance to persons whose relatives are deemed able to support them, even though in fact the relative is not making any or sufficient contributions.

The abrupt changes that the end of the war is bringing in individual circumstances and in communities make it urgently necessary that States use fully all measures within their means and legal powers to meet need promptly, adequately, and fairly. Success in attaining this objective requires a high quality of administration.

Further progress is needed in methods of determining need on an objective basis that will result in similar treatment of persons in comparable circumstances; within and among States there are now wide differences. Though the safeguards established by the Social Security Act and the efforts of State and Federal agencies have brought great improvement toward making the right to assistance a reality and in achieving better methods of administration, this improvement is uneven.

Among other provisions which the Board believes to be in need of further study and effort on the part of State agencies are the arrangements for assuring a fair hearing of any applicant or recipient whose claim to assistance is denied. Such assurance is required as a condition of the Federal grant and is incorporated in all State plans. In actuality, however, it has not yet been fully realized by many recipients or some administrative personnel. The provision concerning fair hearings is one of several in the Social Security Act which assure the personal rights of assistance recipients, including the right to an unrestricted money payment and the assurance that information concerning applicants and recipients will be used only for purposes directly connected with the administration of assistance. Like these others, the fair-hearing provision is designed to help applicants and recipients of assistance to maintain or regain their capacity for self-direction and self-responsibility and share in and contribute to the life of their community.

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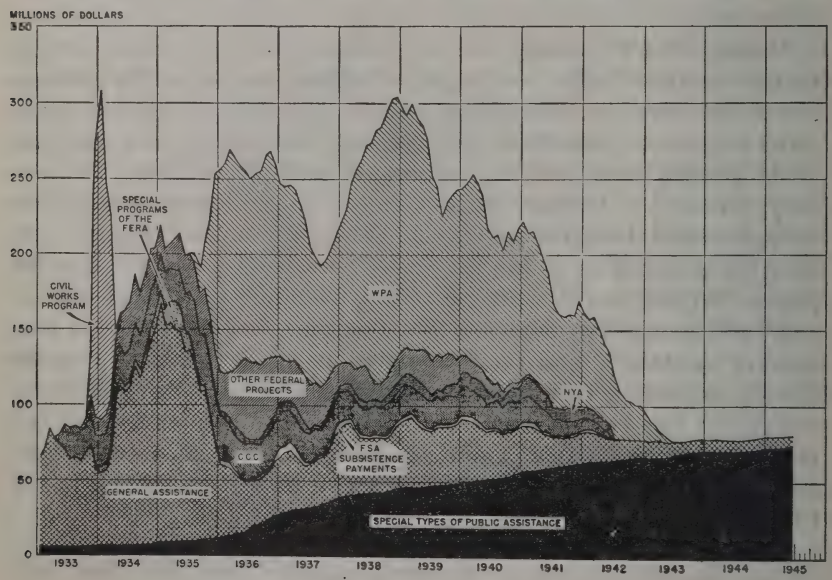
All processes in the administration of assistance depend for maximum effectiveness on the quality of the personnel charged with responsibility for carrying them out. Assistance agencies, like all other civilian concerns, have been faced with serious personnel shortages during the war and with lack of qualified and experienced personnel. As these stringencies ease, a prime concern must be the methods of attracting, training, and keeping the men and women best qualified to carry responsibilities throughout the operation of the program. This has been and continues to be a major objective of the Board both in its own operations and in its relationships with the States.

Interrelationships of Assistance Programs

Both the effectiveness and the economy of assistance programs would be increased by unifying administration of aid to all groups within a State, whether or not separate programs are maintained for special groups, such as the aged, blind, and children. The Social Security Act requires that a single State agency administer or supervise the administration of an approved plan, but does not require that the same agency be responsible for all plans. Only a few States continue to administer the special types of assistance separately, though some States and many localities administer general assistance through an agency other than that responsible for the special types.

Chart 10.—*Payments to recipients of public assistance and earnings of persons employed under Federal work programs in the continental United States, January 1933–June 1945*



Unification of public assistance administration would continue to leave the States free to decide what classes of needy persons they wish to aid and to maintain or abolish the existing categories. It would make possible better-balanced administrative and financial planning for the various groups and areas within a State. The same administrative, technical, and supervisory staffs would serve all programs, rather than one or two, and corresponding economies could be made in office space and rentals, travel costs, and equipment. Even more important, better service could be given if a community had one office to which a needy person applied and from which, when eligible, he would receive aid.

The Social Security Board recommends unification of both State and local administration of the three special types of public assistance and of general assistance.

Social Security and the Future

VJ-day found the United States with tools to ease the change-over to peace that were lacking when World War I ended. Then there was no unemployment insurance for the workers who were laid off and employment services were little developed. There was no national system of old-age and survivors insurance to provide an assured, though modest, income for many aged workers and their families and many survivors of workers when opportunities to earn diminished. Nor were funds or an organization available throughout the Nation, as they are now, to assist needy people who have little capacity or chance to earn—the aged, the blind, and children.

The months following VJ-day will give evidence of the importance of the social security program during a period of emergency. The purpose and character of the program, however, are designed not for an emergency but for the long run. The war years show clearly that even when the economy is operating at maximum effectiveness, millions of people in the richest country in the world are insecure because of circumstances that, as individuals, they cannot prevent or control. No matter how great our success in achieving lasting prosperity in the United States, individuals and families will continue to lose their source of support because of sickness, unemployment, old age, and death. Social insurance and public assistance are methods of bringing to the problems of peace the collaboration that has served us so well in war—ways in which individuals work through government to share risks, build up defenses, and divide the costs of individual and social catastrophe so that they do not fall on only those who, at a particular time, are suffering misfortune.

The Board believes that there is reason for pride and satisfaction in the development of the social security program during its first 10

years. A Nation-wide basis has been laid for defenses against most of the major causes of individual insecurity. New governmental techniques and resources have been effectively developed through the collaboration of the Federal Government and the States. The widespread public acceptance and support of the program give evidence of the extent to which it represents and is meeting generally recognized social and individual needs. The achievement by the end of the first decade gives reasonable ground for hope that progress in the second may be even greater.

Earlier pages have outlined the general character of the developments which the Board finds necessary and feasible at this time. These include the establishment of defenses against the losses and costs of sickness and disability, a factor in economic insecurity against which the United States now has almost no systematic public provision. A major objective for present action and future progress lies in coordinating and strengthening the various provisions for economic security under the Social Security Act and under other legislation to make a logical, consistent, and effective whole. Just as the life of a man or of a family is a whole, though particular needs and circumstances may change, so an adequate program of social security must have the unity, flexibility, and equity that will enable it to defend all families against any common social risk that threatens their independence and well-being.

In so doing, social security does not weaken individual incentive and responsibility. Hope, not fear, drives men to greater endeavor. No country looks to sick or ill-fed people for its leaders or its workers or customers. Adequate social defenses against risks that individuals cannot meet singly are essential to maintain the individual initiative and enterprise on which our past was founded and to which we look for future progress. They are an essential part of both the heritage and the future of democracy.

Long before the tenth anniversary of the Social Security Act, the fears that some people had expressed at the beginning of the program had been proved groundless. Social security did not prove to be a heavy drain on the Nation's resources. Actual experience has shown that it is a wise investment of public funds and of the contributions of workers and employers, an investment that has paid dividends in social and individual well-being and in economic progress. The program has not sapped initiative, nor has it served as a prop for the lazy and the shiftless. In both assistance and insurance operations, the war years have shown clearly that Americans want to work and eagerly do so when they have a chance. Natural misgiving about the administrative feasibility of putting so large a program into operation within the short periods of time scheduled in the law have likewise been dis-

sipated. As one date after another came up on that timetable, the various parts of the program started promptly and have gone forward efficiently and economically. The Board believes that local, State, and Federal administrative agencies all have reason to take pride in the standards of public service that have been achieved and maintained.

Now, at the end of a decade, there is no significant difference of opinion as to the necessity and importance of the social security program or the need for its extension and improvement. Opinions differ only on particulars concerning the character and timing of change. Among some people, such proposals, like any innovation, arouse some general misgivings and objections such as were expressed when the Social Security Act was passed. The Board believes that as the program moves forward, doing its present job better, rectifying weaknesses that experience has revealed, and filling in the gaps in the present design, these fears and charges will likewise prove groundless.

The sudden ending of war has pushed certain aspects of social security to the fore. Immediate action on some of these is needed if the program is to fulfill its purpose in helping to alleviate distress and prevent needless dependency and insecurity. Prompt action on longer-range proposals is hardly less urgent. The year ahead is critical in the history of the United States. We are victorious over the enemies outside our borders, but we have yet to conquer the fear at home which is created by widespread change. Such fear can be as terrible an enemy as the Germans or the Japanese. A strong and effective program of social security is not only a humanitarian objective and a means of helping to assure individual independence. It is an essential of durable prosperity and peace.

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Social Security Operations in 1944–45

During the fiscal year 1944–45, economic insecurity was at a minimum in the United States. Under wartime conditions as in ordinary times, however, old age, incapacity, and death wiped out or cut down income in millions of families, causing their members to call on their rights to social insurance or public assistance, and hundreds of thousands of persons had occasion to draw the unemployment benefits for which their past employment record qualified them. Contributions collected under the insurance programs had risen with the wartime increase in covered employment and earnings; interest credited during the year on reserves in the trust funds more than sufficed to pay unemployment benefits and met more than half the benefit disbursements under old-age and survivors insurance. State and local revenues for financing assistance also reflected the high wartime level of income. The Federal, State, and local administrative machinery established during the preceding decade, though reduced to a minimum, stood ready with a nucleus of trained and experienced personnel to provide the services needed to lessen the economic impact of the transition to peace.

On June 30, 1945, 1.1 million persons were receiving monthly benefits under the old-age and survivors insurance system—a rise of 31 percent over the number at the beginning of the fiscal year. In an average week of June 1945, 129,400 persons received unemployment benefits under State laws, and nearly 32,000 veterans received readjustment allowances provided under the GI Bill of Rights to compensate for unemployment or low earnings in self-employment; in June 1944, the average weekly number of beneficiaries under State laws was less than 78,000 and no veterans were receiving readjustment allowances. About 3.5 million persons were receiving old-age assistance, aid to dependent children, aid to the blind, or general assistance in June 1945; during the fiscal year the number of recipients decreased relatively little (about 3 percent) as compared with the drop in earlier war years.

Total payments to individuals in the fiscal year 1944–45 under these insurance and assistance programs amounted to $1.3 billion, as compared with $1.2 billion in the preceding 12 months. Of the total in 1944–45, 25 percent came from the social insurance trust funds established under the Social Security Act, 2 percent from Federal funds used by the States to pay readjustment allowances to veterans, 30 percent from Federal grants to States for public assistance under the Social Security Act, and 43 percent from

State and local funds used for the four public assistance programs. To the extent that Federal and State laws provide protection against risks to economic security, a partnership of Federal, State, and local governments was functioning on a broad basis to meet some of the potential impacts of reconversion.

Old-Age and Survivors Insurance

Because old-age and survivors insurance is in its initial years of operation, its value is still measured more in terms of future protection than present benefit disbursements. In an average week of 1944, about three-fifths of the gainfully occupied civilians in the United States were in jobs which carried wage credits under this Federal system. As of July 1, 1945, approximately 40 million of the 72 million living workers who had contributed to this program had acquired currently or fully insured status which would make qualified survivors eligible for monthly benefits or a lump-sum payment if the worker should die. Their survivorship protection alone represented the equivalent of more than $50 billion in term life insurance. The remaining workers with wage credits had some but not all the wage credits required for insured status. Many who have had wartime jobs, however, will fail to become insured if the end of the war brings them prolonged unemployment or a transfer to work not covered by the system.

Beneficiaries and Their Benefits

In August 1944, the number of beneficiaries on the old-age and survivors insurance rolls reached the million mark with the award to the widow of a war worker in Cleveland, Ohio. Her benefit of $25.07 a month, supplemented by $16.71 for each of her children, aged 1 and 4, will give the family a total of $58.49 a month for 14 years, if the older child continues at school, and $41.78 a month for the following 3 years if the younger child continues schooling to age 18. Her widow's current benefits, which cease when the younger child reaches age 18, will be resumed when she reaches age 65 if she has not remarried.

The total number of beneficiaries on the rolls rose steadily each month of the fiscal year from 1.0 million on June 30, 1944, to nearly 1.3 million on June 30, 1945; the corresponding amounts of monthly benefits to which they were entitled increased from $18.3 million to $23.6 million. Beneficiaries in current-payment status increased in the same period from slightly less than 850,000 to more than 1.1 million, and their monthly benefits rose from $15.4 million to $20.2 million. For others on the rolls, benefit payments had been suspended or deferred, chiefly because the beneficiary or another person on whose

wage record the benefit was based had earnings in covered employment.

Approximately $251 million was certified in 1944–45 as monthly benefits and lump-sum payments, an increase of more than $58 million over the preceding fiscal year. The State distribution of these payments and of beneficiaries reflects State variations in industrialization, and hence in coverage, as well as State differences in age distribution and other factors (chart 6). Monthly payments to retired workers and their aged wives and young children amounted to a total of about $135 million during the year; monthly benefits to survivors of deceased insured workers totaled nearly $90 million, and lump-sum payments to survivors of deceased insured workers, or to persons equitably entitled to reimbursement for the insured worker's burial expenses, aggregated another $25.9 million. Aggregate payments for both monthly survivor benefits and lump-sum payments increased 35 percent over 1943–44.

Among beneficiaries on the old-age and survivors insurance rolls at the end of the fiscal year, 40.4 percent were aged workers, 12.0 percent were wives of these workers, 6.5 percent were aged widows of deceased insured workers, 29.4 percent were children, 11.3 percent were widows who were caring for child beneficiaries, and 0.4 percent were aged parents of deceased workers who had left no widow or child. Because wives are typically several years younger than their husbands and few aged couples have children under age 18, benefits go most frequently to only one member of a retired worker's family—the insured worker himself. The wife of a retired worker, however, becomes eligible for a wife's benefit when she reaches age 65; a parent's benefit, similarly, may go first to the dependent father of a deceased insured worker, and it may be a few years before the worker's dependent mother reaches age 65 and qualifies for an equal amount. All wives of primary beneficiaries and fully insured workers are potentially eligible for a widow's benefit at age 65, and all receive a lump-sum death payment if they or other persons in the family group are not eligible for monthly benefits for the month in which the insured worker dies.

Of the 813,000 families on the benefit rolls on June 30, 1945 (table 4), more than one-third were families in which the worker himself was the sole beneficiary. The next largest group of families consisted of a retired man and his aged wife both of whom were entitled to monthly benefits, which averaged $37.90 per family. In the next largest group an aged widow was the sole beneficiary, while families including a widow and one child beneficiary were next in frequency. The average family benefit for all groups on the roll was $29.00 a month, ranging

from $50.40 for a widow with three or more child beneficiaries to $12.40 for a child alone.

The number of beneficiaries in current-payment status at the end of the fiscal year—1.1 million—might have been more than twice as large if all the persons then eligible for payments had been receiving them. Some 750,000 aged workers and the aged wives of some 375,000 of them had not filed claims to benefits to which they could have been entitled. In addition, there were 179,000 persons who had filed valid claims but whose benefits were being withheld, mainly because of covered employment. These included 89,000 aged workers, 21,000 wives of these workers, 30,000 children, and 39,000 widows of insured workers. Undoubtedly many of these persons will ask to have their monthly payments started or resumed if they cannot keep steady jobs in covered employment.

Old-age and survivors insurance benefits do not afford a great inducement for the aged worker to retire from the labor market unless he has other resources or is in ill health or losing his working skills. Studies of beneficiary groups in seven representative cities indicate that, in 1941–42, about 55 percent of the retired workers receiving benefits had lost their jobs, presumably because they were no longer able to keep up the pace set by younger workers or because they had reached the age limit set by their employers. Of the 45 percent who had stopped work voluntarily, nearly all gave ill health as their reason. In the absence of provision in the program for disability retirement before age 65, it is not known how many insured workers nearing age 65 are incapacitated and hence in danger of losing insured status, or how many will be entitled to only minimum benefits because inability to work has reduced the average wage on which their benefits and benefits to their dependents will be computed.

Appeals

Any claimant has a right to appeal if he is dissatisfied with the Board's determination on his eligibility for benefits or the amount of his benefit award. Similarly, any beneficiary whose benefit has been suspended under the "work clause" or any other provision of the act requiring such action may appeal. So may any worker who, before claiming benefits, questions the correctness of the Board's determination regarding the amount of his wage credits.

In the fiscal year 1944–45, 1,307 appeals were filed, while 264 were carried over from the previous year. Of the total, 71 percent involved eligibility to benefits or benefit amounts; 26 percent related to suspension of benefits; and 3 percent concerned the wage credits of workers who had not yet claimed benefits. In approximately one-fourth of the appealed cases, the principal issue was the claimant's family rela-

tionship to the wage earner; in about one-sixth, the wage earner's employment relationship; and in one-sixth, the proper amount of the claimant's wage credits. Hearings were completed in 1,177 appealed cases during the year and decisions rendered on 1,270, including cases heard previously. Approximately 28 percent of these decisions modified, in the claimants' favor, earlier determinations of the Board. At the close of the fiscal year, 11 civil actions concerning old-age and survivors insurance claims were pending in the courts; of 9 such cases decided during the year, 5 upheld the Board's position. Since enactment of the 1939 amendments, 22 court decisions have been rendered, of which 16 upheld the Board.

Workers and Their Wage Credits

Preliminary estimates indicate that 47.5 million workers received an aggregate of $64.0 billion in wage credits in 1944, an average of $1,348 per worker. These wages represent amounts up to $3,000 a year received by workers in employment covered by old-age and survivors insurance. Through 1943, the latest year for which such data are available, some 66 million workers now living had received an average of $4,100 per worker in cumulative wage credits since the beginning of the program in 1937. Those who had worked in covered employment in all 7 years had cumulative wage credits of $10,300 per worker, while those whose wage records represented covered employment in only a single year had only about $270. About 9 percent of the workers had wage credits for only a single quarter, and 34 percent had such credits in less than 6 quarters, the minimum number required for insured status for any worker; for many workers, the required number is larger.

By January 1, 1945, of all living workers with wage credits at any time under old-age and survivors insurance, 31.7 million, or 45 percent, had the fully insured status which, as of that time, would entitle them or their eligible dependents and survivors to any type of benefit the program provides; 7.2 million, or 10 percent, were currently insured only; and 31.7 million, or 45 percent, had failed to acquire insured status. The figures for all these groups exclude covered workers who have died, and include persons who have withdrawn from covered employment temporarily or permanently and persons now on the benefit rolls.

Because of the withdrawal of men for the armed forces and other wartime changes in the labor force, women, boys and girls, and Negroes have represented increasing proportions of all workers with wage credits in a year. Wartime development of the South and West as manufacturing centers has increased the proportion of covered workers in those areas. These changes also account in part for the large number of persons with wage credits for only short periods.

Applicants for Account Numbers

By June 30, 1945, the Social Security Board had established 82.2 million accounts in which to record the wage credits of covered workers. The accounts, it is estimated, represent 74.1 million living persons, or almost 70 percent of the population aged 14 and over. Because so large a proportion of the labor force already had accounts, fewer account numbers were assigned in 1944–45 than in any earlier fiscal year. The decline in the number of men applying for accounts has been continuous since 1941–42.

Administrative Developments

Several steps were taken by the Board during the fiscal year to clarify the scope of the program, increase its effectiveness, simplify and speed operations, and reduce administrative costs. Among the most important of these was the decision to permit recomputation of benefits to include wages after a retirement benefit has been awarded, if such action increases the benefit payable at the time of the request for recomputation. Many insured workers who filed their claims at or after age 65 in the belief that they had reached the peak of their earnings either continued or returned to work while their benefits were frozen or suspended. About 9,000 requests for recomputation of primary benefits received during the fiscal year resulted in a higher benefit amount; the average increase in the monthly amount was about $3.

Requirements for proof of age in claiming any type of benefit were liberalized by a decision that convincing evidence of specified types would be acceptable even though not the highest type of evidence in probative effect. The Board also decided that written notices or telegrams from casualty branches of the armed services, commanding officers, or the War Shipping Administration would be accepted as proof of death of covered workers who died in service with the armed forces of the United States, Canada, or Great Britain, or with the United States merchant marine. The Board also ruled that the 2-year period after death within which survivors' lump-sum claims generally must be filed does not begin to run, as to claims involving the wage records of servicemen who were officially reported missing, until after an official finding of death is made; and when a serviceman is claimant for a lump-sum benefit based on the wage record of another, he receives an extension of time within which to file equal to his period of military service. Policies and regulations on recovery of overpayments and deductions under the work clause have also been simplified and clarified, and the Board has ruled that benefit determinations will not normally be reversed to the detriment of claimants unless there was fraud or the original determination was "clearly erroneous." Affirmative decisions on the coverage of outside com-

mission salesmen were facilitated in a large number of cases as a result of conferences with the Department of Justice and the support given by the Attorney General to the Board's position in specific instances.

Significant achievements can be reported in administrative operations of the program despite wartime shortages of personnel, the volume of wage items to be posted to workers' accounts, increasing claims loads, and the larger number of beneficiaries on the rolls. The economy of Nation-wide centralization of wage records, combined with localized services to workers, employers, and the public, has been fully demonstrated. The total administrative cost of the program (table 3) includes costs incurred by the Treasury in collecting contributions under the Federal Insurance Contributions Act, managing the trust fund, and issuing benefit checks as well as all administrative costs of the Bureau of Old-Age and Survivors Insurance and the Appeals Council and costs in other areas of the Social Security Board and Federal Security Agency attributable to the program. These total costs in the fiscal year 1944–45 amounted to 2.1 percent of contributions collected during the year and 11 percent of benefit payments.

Administrative costs of the Bureau of Old-Age and Survivors Insurance alone have declined from 2.6 percent of contributions collected in the fiscal year 1940–41 to 1.6 percent in 1944–45. These costs included the expense of the central offices of the Bureau in Baltimore, the greater portion of which represented the cost of maintaining the wage records in the 82 million accounts established for workers under the program, and also the operating costs of 5 area offices, 422 field offices, 38 branch offices, and 1,496 stations with itinerant service. The field and branch offices issue account numbers, aid workers and employers in correcting wage records, aid claimants in filing applications for benefits and assembling the evidence necessary to prove their eligibility, adjudicate claims and determine the amounts of benefits payable, and give workers and their families the information necessary to understand their rights and obligations under the program. The area offices review all claims and adjudicate the more difficult claims, maintain a current roll of beneficiaries, and certify to the Treasury the amounts of payments to be made to beneficiaries.

It is estimated that it cost the Bureau an average of 19 cents a year per account to maintain the wage records to which are posted the amounts reported by employers for covered workers. During this fiscal year, about 184 million wage items, each relating to a wage payment to a worker, were identified and verified for posting. These items represent the major part of the 171 million wage items received on 8 million tax returns from about 2.5 million employers, as well as an accumulated backlog which was eliminated.

Costs of claims represented 4.7 percent of benefit payments in the fiscal year 1944–45 as compared with 5.2 percent a year earlier and 11.6 percent in the year ended June 30, 1941. The cost of claims, for purposes of this comparison, includes all administrative expenses of the Bureau except wage-record costs chargeable to future claims. Thus the wage-record cost of each claimant's account is chargeable to the year in which the individual files a claim. Much of the improvement in the ratio of claims costs to benefit payments can be attributed to improved operating procedures. This ratio will continue to decline as benefit rolls lengthen. Expenses incurred in maintaining a beneficiary on the rolls—determining his continuing eligibility, certifying the amount due, and making any necessary changes in address—are estimated as $1.42 a year.

Some of the reduction in costs has resulted from inability to recruit personnel, which has caused undesirable pressure on staff, and from emergency expedients that can be justified only on grounds of wartime conditions.

Financing the Program

Congress further postponed (P. L. 235, 78th Cong., approved Feb. 25, 1944) the scheduled increase in contribution rates under the Federal Insurance Contributions Act for the calendar year 1944 and subsequently (P. L. 495, 78th Cong., approved Dec. 16, 1944) postponed the increase for 1945. Thus since the beginning of the program the rate of 1 percent each has been payable on taxable wages by workers and employers. House Resolution 204 (79th Cong.) has authorized a comprehensive study of financial and other aspects of the program.

At the end of the fiscal year, the old-age and survivors insurance trust fund, in which the equivalent of contributions collected under the program is deposited and from which benefits and administrative costs are paid, had a balance of $6.6 billion, a net addition of nearly $1.2 billion during the fiscal year (table 3). Of the receipts credited, which exceeded $1.4 billion, contributions constituted $1.3 billion and interest on investments the remainder. Benefit payments from the fund, on a checks-cashed basis, amounted to $240 million, and reimbursements to the general fund of the Treasury for administrative costs, including Treasury expenditures in collecting contributions and all other Federal operations in other aspects of the program, totaled $27 million.

Investments of the trust fund totaled $6.5 billion on June 30, 1945, or 2.6 percent of the interest-bearing debt of the Federal Government. The rate of interest on these investments as of that date—2.127 percent as compared with 2.195 percent a year earlier—represented the average rate of earnings on $3,660 million in special Treasury notes, bearing interest rates from 1⅞ percent to 2½ percent, $1,239 million

in 2½-percent publicly offered Treasury bonds, and $1,648 million in 1⅞-percent special certificates of indebtedness. During the year, $1,556 million of the investments matured and was reinvested at the prevailing average rate of interest on the total Federal debt; this rate was lower than that carried by the matured securities.

Unemployment Insurance

In the fiscal year 1944–45, State unemployment insurance systems began to show the effect of a decline in civilian employment in war production. The number of workers employed in firms covered by State unemployment compensation laws declined slightly during the year 1944 to an estimated 29.3 million in December, 6.3 percent below the wartime peak of June 1943. Nearly all the net decline was attributable to reductions in contract construction and manufacturing. States in which such employment was concentrated were the first to feel the impact of a decline in war production.

Collections under State unemployment compensation laws declined 7.5 percent from the total in 1943–44, largely because of the experience-rating provisions of 42 of those laws. Despite the special war-risk contributions required in 12 States,[1] the fiscal-year increase ($1.3 billion) in total funds available for benefits was less than in the preceding year. As of June 30, 1945, the States faced the economic problems of reconversion with nearly $6.7 billion in combined reserves for unemployment benefits—enough to pay benefits for the maximum duration provided under their laws to 61 percent of all workers in covered jobs in March 1945. The U. S. Employment Service had full-time offices or part-time or itinerant service in 2,100 localities; at the close of the First World War the Employment Service had offices in only 605 cities, and these offices were mainly concerned with placing demobilized servicemen.

Claims and Benefits

Initial claims for benefits give an approximation of the number of new spells of unemployment in a benefit year among workers in the covered labor force. In June 1945, 269,000 such claims were filed in local offices, more than double the number in June 1944 and nearly three times that in the low month for initial claims, September 1943. In claims receipts, as in nearly all operations under the 51 State programs, the year's experience differed widely among the States. In Delaware, for example, the increase in initial claims over June 1944 was more than 600 percent, in Michigan more than 500 percent, while seven States (Colorado, District of Columbia, Maine,

[1] Alabama, Florida, Illinois, Iowa, Maryland, Minnesota, Missouri, Ohio, Oklahoma, Wisconsin, and, since January 1, 1945, Georgia and Kansas.

Nebraska, South Carolina, South Dakota, Virginia) reported decreases, of which the largest (30.8 percent) was in Colorado. In June 1945, the average weekly number of beneficiaries was 129,400—66 percent more than the number a year earlier and more than twice that in November 1943, the lowest month on record for the country as a whole. In June 1945, States compensated more than a half million man-weeks of unemployment, as compared with about one-third of a million in June 1944.

In the fiscal year 1944–45, States paid $71.2 million in benefits under their unemployment compensation laws, as compared with $61.0 million in 1943–44. The weekly benefit for total unemployment averaged $17.30 for the United States as a whole in April–June 1945, and ranged from $8.95 in North Carolina to $19.46 in Michigan. In addition, in administering the readjustment allowance provisions of the GI Bill of Rights, the States and Puerto Rico paid out $20.7 million of Federal funds to a weekly average of 20,600 veterans of World War II during the period September 1944–June 1945. The Federal statute determines the amount and duration of these Federal allowances to ex-servicemen who are unemployed or unable to earn as much as $100 a month from self-employment.

Even at the peak of production, changes in the character and tempo of sea, land, and air operations, and changes to improve products after actual battle test, meant lay-offs in some States or localities. For skilled workers, these lay-offs were ordinarily so brief that relatively few were still unemployed at the end of the 1 or 2-week waiting period which a claimant serves before his unemployment is compensated. For older workers and workers handicapped by physical infirmities, household responsibilities, or lack of skill and experience, opportunities for reemployment were not always available. Inexperienced and handicapped workers predominated among beneficiaries on the rolls. Many such workers were relatively new to the covered labor force and had scant wage credits on which to draw.

The extent to which these and other claimants received benefits, and the amount and duration of their payments, depended entirely on the applicable State law. In some States a claimant was considered unavailable for work if he or she refused a job remote from home or on a work shift which interfered with care of young children or other household duties, or was disqualified for voluntary leaving if he had given up his previous job for some reason, such as illness, that could not be attributed to the job or the employer. In five States, a worker with low wages and brief covered employment could receive as little as $3 or $4 a week for only a few weeks. In other States with relatively high minimum payments, such a worker might draw $6, $7, or even $10, for 16 weeks or more, provided he remained unemployed.

Availability for Work, Disqualifications, and Appeals

For the first time since the program was established, figures are available to show the extent to which claims are denied because of unavailability for work or the imposition of a disqualification. In the 9 months October 1944–June 1945, claims equal to almost one-sixth of the new and additional claims were denied because, under the State laws, the claimant was considered unable to work or was disqualified for one of several causes. Some 109,000 claims—representing the equivalent of 9 percent of all eligible claimants in this period—were denied on the ground of inability to work or unavailability for work. About 112,000 claims—or the equivalent of 9.3 percent of all eligible workers—were disqualified under the State laws for refusal of suitable work, voluntary leaving without what was held to be good cause, discharge for misconduct, or other causes, not including disqualifications for labor dispute and receipt of other remuneration

Of the 112,000 disqualifications, almost half (47 percent) were for voluntary quit without good cause. As has been pointed out, many States do not recognize any good cause for voluntary leaving except cause attributable to the employment or the employer. More than one-third of the disqualifications (36 percent) were for what was held to be refusal of suitable work, an issue which raised particularly difficult questions at a time when so many workers had shifted from one kind of work to another. The relative number of disqualifications imposed for one or another of these reasons varied widely among the States. There were wide State differences also in the extent to which disqualifications represented postponement of benefits for the claimant or reduction or cancellation of his benefit rights. For all States combined, 79 percent of the disqualifications involved postponement of benefits and 21 percent, reduction or cancellation of benefit rights.

In all States, claimants who are dissatisfied with the decision on their benefit claim have the right to appeal. During July–December 1944, nearly 18,000 appeals from agency determinations were reviewed by lower appeals authorities of the States and Territories, and in the same period decisions were rendered on nearly 3,000 cases carried to the higher appeals authorities. The issues involved in the decisions rendered by appeals authorities at both levels hinged mainly on ability to work, availability for work, and the question whether the claimant was really unemployed. This group of issues was involved in nearly half the cases decided by the lower appeals authorities and about 40 percent of those reviewed at the higher level. Suitable work and voluntary quits each accounted for 20 percent of the decisions handed down by lower authorities and for 26 and 14 percent, respectively, of those rendered by higher authorities. Most of the appeals initiated

by employers were in States where experience rating was in effect or anticipated and where employers consequently had a financial stake in the allowance or disallowance of benefits to their former workers. In the 9 States without experience-rating provisions in operation during July–December 1944, only 8 employer appeals were included among the cases reviewed by lower authorities and 15 in those reviewed by higher appeals bodies.

In administering the readjustment allowance provisions of the GI Bill of Rights, State unemployment compensation agencies apply the provisions of their own laws in determining the suitability of work and the existence of good cause for leaving work or refusing work. The conditions which may disqualify veterans from benefits, however, and the extent of the disqualification period are part of the Federal statute. Appeals against determinations of eligibility for benefits are first heard by the lower appeals authority of the State which reviews appeals of workers covered by the State law. At the close of the fiscal year, veterans' appeals under the GI Bill of Rights were reported at a rate of about 200 a month; most appeals related to questions of physical or mental ability to work. If a veteran is dissatisfied with the result of this first appeal, he may carry his appeal to the Veterans Administration.

Administrative Developments

The Bureau of Employment Security, the unit of the Board directly concerned with State unemployment compensation, gave major attention throughout the fiscal year to its responsibilities for recommending to the Board and to the States steps which would be effective in strengthening State legislation and administration. Through this Bureau and its regional representatives, the Social Security Board and State agencies were kept informed of developments in State laws and administration and of Nation-wide and State-by-State trends in employment and unemployment, and of cut-backs in production anticipated by the War Manpower Commission which were likely to increase administrative loads on employment security agencies in certain States or regions. State agencies also receive codified digests of precedent decisions handed down by State appeals authorities in administering State unemployment compensation laws and Federal provisions for readjustment allowances for veterans.

To improve the effectiveness of State programs, the Bureau recommends to the States procedures which will result in more efficient operation and informs State agencies of administrative techniques which other agencies have found successful in reducing administrative costs, in shortening the time lag in benefit payments, and in improving other operations. During the year, Bureau technicians visited about

30 States for the purpose of assisting the State agency on administrative problems or obtaining information for developmental purposes. The Bureau's technical staff devoted considerable time to preparing procedural guides in all areas of operation and in developing methods for simplifying and streamlining the various operations to handle emergency claims loads. Several State agencies have followed these suggestions and simplified their procedures. Some State agencies also evidenced interest in Bureau procedural materials on the decentralization to local offices of the benefit-payment function, but at the end of the fiscal year no State had fully adopted such procedures.

With the migration of workers to centers of war industry and their probable return to their home communities when their current jobs are over, claimants who have been in covered jobs in more than one State present a particular problem. The intricacies of combining wage credits acquired under the laws of several States had delayed Nationwide installation of procedures satisfactory to all States. During this fiscal year, however, the Interstate Conference of Employment Security Agencies developed a plan under which individuals who do not have sufficient taxable earnings in any single State to qualify for benefits may have their available earnings in all States combined for one benefit determination. As of July 1, 1945, 36 States were participating in this new plan and additional States were preparing to participate.

Because of the differences among the States in legal provisions and interpretations and because of the time required for mailing claims and benefit checks, the payment of benefits to interstate claimants is slower and more complex than payment of intrastate claims. In January-March 1945, for example, first payments were issued to less than half the 7,174 interstate claimants within 2 weeks of the end of the week for which the payment was made, and nearly one-sixth were delayed 6 weeks or more. In the same period, nearly three-fourths of the 122,885 intrastate claimants received their first payments within 2 weeks, and only about 6 percent had their checks delayed 6 or more weeks.

A major development in Federal-State cooperation was the new procedure for joint participation by the State agencies with the Bureau of Employment Security in preparing estimates of work loads and unit costs which are used in presenting to the Bureau of the Budget and to Congress data relevant to appropriations under title III of the Social Security Act for grants to States for administering their unemployment compensation laws. Criteria for budgeting are being developed on the basis of past relationships between unit costs and volume of work. Cost studies were made in several States to ascertain the reasons for differences in cost in certain areas of operation. The purpose of these studies and budgeting methods is to develop objective measures

for allocating equitably the funds available to the Board for grants to States for administration.

Reporting requirements, which had been reduced to a minimum while the functions of unemployment compensation were more or less awaiting call, had been reviewed, and by the end of June some reports had been reinstated, which will give a prompt and adequate picture of the immediate course of operations throughout the United States. By May 12, the Board had instituted a system of telegraphic weekly reports from the States to indicate the location and extent of unemployment which may lead to payment of benefits.

Through its administrative review of State operations and analysis of State reports submitted to the Board, the Bureau of Employment Security assists the States in carrying out their responsibilities for fulfilling obligations to the employers who contribute to the program, the workers who acquire its protection, and the public which, to an increasing degree, has come to count on the program as a major factor in easing the economic shock of reconversion.

Financing the Program

Funds for the State unemployment compensation system are derived from two sources. Contributions paid to the States by employers subject to State laws or electing coverage under the State program—and, in four States, by employees also—are used for benefit payments; fiscal-year collections under State unemployment compensation laws in 1944–45 ($1.25 billion) were $100 million less than in 1943–44. Administrative costs of the State programs are met through Federal grants certified by the Social Security Board from funds appropriated to the Board for that purpose from general revenues, to which are credited receipts under the Federal Unemployment Tax Act. In the fiscal year ended June 30, 1945, collections under that act ($185 million) totaled $5 million more than in 1943–44. Administrative costs include costs of the U. S. Employment Service chargeable to State unemployment compensation functions. Through an agreement with the War Manpower Commission, States are reimbursed for the facilities and services furnished to the U. S. Employment Service and, in turn, are charged for the services which the U. S. Employment Service performs for the State unemployment compensation agency.

For the fiscal year 1944–45, Congress appropriated $29 million for the cost of administering State unemployment compensation systems, $5 million less than actual expenditures for administering the State programs in the preceding fiscal year. This was a severe cut for the State agencies to absorb within a year. The Board decided that, to treat the States equitably, the States whose costs were highest should receive the largest relative reduction in administrative grants but that all States should share in the necessary reduction. The entire

appropriation of $29 million was allocated for State unemployment compensation administration for the whole fiscal year, and the Board left it to each State to determine what proportion of its total amount for the year should be withdrawn in any quarter. Since no funds were available for supplemental budgets, a deficit for any State could be met only by justifying a deficiency appropriation to Congress later in the fiscal year.

The majority of the States were able to operate within their approved budget amounts for the fiscal year. During the year, the State agencies handled a work load approximately equal in volume to that in 1943–44 at an aggregate cost approximately $3 million below the actual expenditure in that year, after taking account of the unencumbered balances in the States carried over in both years. This reduction, however, entailed some curtailment of essential activities and impairment of provision to meet sudden increases in claims loads.

About a dozen States indicated that they could not live within their allotments for 1944–45 and were spending, during the earlier part of the year, at a rate greater than the annual amount initially allocated to them. Congress included a supplementary appropriation of nearly $1 million for State unemployment compensation administration in the Second Deficiency Appropriation Act.

Since 1939, the effective rate of tax under the Federal act has been 0.3 percent of the annual pay roll of liable employers up to and including the first $3,000 a year paid to each worker. Because of experience-rating reductions in contributions required from employers in 42 States, the effective rate of the State levy in the calendar year 1944 was 1.8 percent for the country as a whole, not including the war-risk contributions imposed by 10 States; if such contributions are included, the rate was 1.9 percent. In 1944–45, interest ($115 million) on the invested portion of the State assets in the unemployment trust fund more than sufficed to meet withdrawals for benefit payments ($72 million). At the end of the fiscal year, assets of the unemployment trust fund totaled $7.3 billion, of which $6.7 billion or 91 percent was credited to State accounts and the remainder to the railroad unemployment insurance account. The assets of the fund, except for small working balances, consisted of $560 million in 2½-percent Treasury bonds and $6,747 million in 1⅞-percent special certificates of indebtedness. Assets of the fund credited to the individual State accounts represented, in the aggregate, 11 percent of 1944 taxable pay rolls, with a wide range among the States in relative reserves to meet potential drains during reconversion.

On December 30, 1944, the Board certified to the Secretary of the Treasury all 51 State unemployment compensation laws as having met the conditions which permit employers to credit—up to 90 per

cent of the tax provided for under the Federal Unemployment Tax Act for the calendar year 1944—the amounts they had paid as contributions to State unemployment funds. At the same time the Board also certified, for additional tax-credit purposes, the 42 State laws which provided for variations in employer contribution rates in accordance with their unemployment experience.

Public Assistance

The bill for public aid, which represented $275 million or more in each month of the fiscal year 1938–39, had declined to an average of about $80 million a month by 1944–45. By June 1943, full employment and high wages in the defense and war periods, allowances to servicemen's dependents, and general levels of economic well-being had made it possible for the Federal Government to liquidate all the emergency relief and work programs which had helped to bolster purchasing power in the 1930's. In the fiscal years 1943–44 and 1944–45, Federal contribution toward public aid was limited to aid under the Social Security Act to needy persons aged 65 or over, to needy blind persons of any age, and to children deprived of parental support or care by reason of the death, absence, or physical or mental incapacity of one or both parents. General assistance—the only other major source of public aid for persons in need—is financed solely from State and local revenues.

In the fiscal year 1944–45, $951 million was paid to recipients of public assistance in the United States and Territories, of which the Federal Government contributed 41 percent. Nearly 74 percent of the total expenditures was for old-age assistance; about 14 percent represented aid to dependent children; 3 percent, aid to the blind; and 9 percent, general assistance. The Federal Government bore approximately half the total costs of old-age assistance; all 51 States and Territories are receiving Federal funds under the Social Security Act for that program (table 10). The Federal share of aid to dependent children was only about one-third the total, because many of the 49 jurisdictions with plans approved under the Social Security Act pay more to needy families than the Federal Government will match in full; the programs in Alaska and Nevada, which operated without Federal funds during the fiscal year, aided only a small number of families.[2] The Federal share of the total expenditure for aid to the blind in the United States was scarcely more than the proportion for aid to dependent children, although the matching maximum is the same as for old-age

[2] In July 1945, Alaska began payments under a plan for aid to dependent children which was approved by the Board in that month.

assistance; of the 49 States which provided aid to the blind in the fiscal year, Pennsylvania and Missouri, both of which had extensive programs, and Nevada did not receive Federal funds under the Social Security Act. Delaware and Alaska remained the only two jurisdictions without programs for aid to the blind in the fiscal year.[3]

The equal-matching basis of Federal grants to States under the Social Security Act results in grave inadequacy of aid to needy persons in States which cannot themselves finance half the cost of an adequate program. Further limitations arise from the unduly restrictive eligibility conditions which some States impose, barring needy applicants from aid and depriving the State of Federal funds potentially available under the Federal act.

Assistance Recipients and Their Payments

Of the four types of public aid in the United States, general assistance was the only one under which the expenditure for assistance was less in 1944–45 than in 1943–44; under both this program and aid to dependent children, total expenditures were lower than in 1942–43. In general assistance, expenditures of $6.9 million and $6.8 million in May and June 1945, respectively, were below the decade's previous monthly low—about $7 million—in July 1944.

Old-age assistance.—The 2 million recipients of old-age assistance in June 1945 represented about 1 in 5 of the total population aged 65 and over, but among the 27 States with a higher ratio, Oklahoma and Texas aided nearly half their aged populations. Among the 22 States below the national ratio, the number of recipients represented only 1 aged person in 20 in Delaware and the District of Columbia and less than 1 in 10 in Connecticut, Maryland, New Jersey, New York, and Virginia.

As in earlier years, most of the recipients of old-age assistance were 70 years of age or older; the average age was about 75 years. Many were bedridden. Almost three-fourths lived with relatives or other persons, many of whom contributed something to the recipient's care or support—shelter and perhaps a part of other living expenses. The average monthly payment of $29.46 for old-age assistance in the United States in June 1945 represents a composite of averages ranging from less than $12 in Georgia and Kentucky to more than $48 in the State of Washington. Within a State, levels of payments differ among counties and cities, and in any place actual payments to individuals differ widely according to the recipient's resources. In individual instances, when a recipient has no other resources and has exceptional needs, such as for special or extensive medical care, States may have

[3] On April 23, 1945, Delaware authorized establishment of a program for aid to the blind; Federal-State payments under this plan, approved by the Board on October 26, will begin in November.

to claim the maximum amount allowable from Federal funds ($20 a month) and add three or four times as much from State or State and local funds to meet his expenses. In November 1944, for example, more than one-tenth of the old-age assistance payments in the United States exceeded the $40 a month which the Federal Government will share equally; 33 States, however, made no payments above $40. Some States supplement low payments to the aged by medical services. Cash payments from general assistance funds or such aid in kind as grocery orders or coal are sometimes received by other members of the families of recipients. Whatever the arrangements made in these States, the fact remains that Federal funds for old-age assistance were distributed without full recognition of the needs of individuals or the financial resources of the States in which they live.

Aid to dependent children.—In June 1945, nearly 647,000 children in about 256,000 families received aid to dependent children; payments to families averaged $47.46 a month. Federal matching maximums for this program vary with the number of children aided; for a family in which only one child is aided, the maximum contribution from Federal funds is $9 a month, which is increased by $6 for each other eligible child under age 18. For families receiving aid for three children, therefore, States which paid more than $42 a month had to finance more than half the payment from State and local funds. In November 1944, nearly 43 percent of the families that were receiving aid for three children had monthly assistance payments of more than $42 and 50 percent of the families receiving aid for only one child received payments which exceeded $18—the maximum amounts which could be equally divided between Federal and State-local funds. Payments of $100 or more were made in that month to only about 1 family in 20 under the approved plans of all 49 States combined, but to one-fourth of the families on the rolls in California, Connecticut, Massachusetts, Oregon, and Washington. At the other extreme, in 16 States one-third or more of the families received less than $20; in North Carolina more than half the families had less than $20 a month.

Unfortunately for the welfare of the Nation, the needs of children are far less adequately met in some States than in others. In June 1945, in the United States as a whole, 16 children were aided per 1,000 population of eligible age, with a range from 47 per 1,000 in Oklahoma to 7 or 8 per 1,000 in California, Georgia, and New Jersey. Similarly, the average monthly payment per family ranged from a low of $20.80 in Texas to a high of $90.20 in the State of Washington. In the calendar year 1944, the States with the most liberal provisions for needy children, that is, those in which both the proportion of children aided and the average payment were above the national average, had about one-fifth of the child population in the country and spent about 30

percent of the funds for aid to dependent children. At the other extreme, the 14 States with recipient rates and average payments below the national average had almost one-third of the Nation's children but spent only 15 percent of the funds for aid to dependent children. Malnutrition, ill health, low earning power, and premature death are both causes and results of low income. The Nation has an important stake in the extent to which children in all parts of the country share in the distribution of national resources.

Aid to the blind.—In States operating programs of aid to the blind under the Social Security Act, more than 55,000 blind persons received this type of aid in June 1945. The number was slightly smaller than a year before, for during the war blind persons shared in improved opportunities for self-support or support by relatives. In June 1945, there were 12 States in which less than one-fifth of the estimated blind population received aid to the blind, while 7 States aided more than two-fifths of their estimated blind populations. The proportion aided was highest in Maine and California and lowest in Connecticut and New Jersey. In some States, aged blind persons receive old-age assistance instead of aid to the blind.

The average payment of aid to the blind under approved plans was $30.27 for June 1945—slightly more than the average for old-age assistance. Eighteen States made payments above the $40 Federal matching maximum in November 1944; in 1940, only 9 States had made such payments. Although more than two-fifths of the payments in these 18 States exceeded $40, such payments comprised only a little more than one-eighth of all payments under approved plans. California alone accounted for two-thirds of the payments above $40. In 6 States, no payments as high as $40 could be made because the State maximum was below this amount.

General assistance.—The earlier dramatic decline in the number of cases receiving general assistance was continued in 1944–45, but at a markedly diminished rate. The case load in June 1945 was 9.4 percent below that in the preceding year. In 12 States, however, there were more cases on the rolls in June 1945 than at the end of 1943–44, and 25 States reported a higher expenditure for the month.

Provisions for general assistance are more nearly adequate in large cities and their suburbs than in towns, villages, and rural areas. In June 1945, 19 large cities, with about one-fifth of the total population, had 33 percent of the cases in the United States and Territories and paid 45 percent of the total amount of general assistance. Of the cases opened or reopened in these cities during the fiscal year, 38 percent were approved because of the illness of a wage earner; loss of a job or decreased earnings for other reasons accounted for another 9 percent of openings. The net effect of increases and decreases in the need for

assistance, transfers among various forms of aid, and some changes in agency policy reduced the case loads in these large cities from 393,000 in June 1941 to 76,000 in June 1945. Most of the cases left on the rolls included only one person who usually was unemployable because of ill health, age, or lack of work skills.

Eligibility Conditions

Many needy persons receive no part of Federal funds for public assistance because the State in which they live imposes eligibility conditions more restrictive than Federal requirements for matching grants under the Social Security Act. As of July 1, 1945, for example, citizenship requirements or their equivalent were imposed by 26 States for old-age assistance and by 7 for aid to the blind. In old-age assistance, 37 States had residence requirements substantially the same as the maximum permitted under the Social Security Act for receipt of Federal funds. With a few modifications or alternatives, the maximum permitted for aid to dependent children under that act was imposed by all but 3 States; and for persons who had lost their sight before they became residents, in 19 approved State programs for aid to the blind. Twenty-two States denied aid to the blind if the applicant had not reached age 16, 18, or 21, and 8 States with approved plans for aid to dependent children failed to grant that form of assistance to school children who had reached age 16. Moreover, not all States with approved plans for aid to dependent children had as broad definitions and interpretations of eligibility as are permitted for Federal matching under the Social Security Act.

In determining eligibility for each type of public assistance many States also deny aid to applicants with relatives who might contribute to their support, even though such support is not forthcoming or might be provided only after humiliating recourse to legal compulsion. States differ widely, too, in imposing fixed limits to the amount of real or personal property an applicant may have if aid is to be granted. Requirements such as these have no analogue in the requirements for Federal matching. The Social Security Act requires that the recipient who can share in the Federal funds granted to the State must be "needy" and that, in determining need, States must take into account any other income or resources of the recipient.

Administrative Developments

Despite the wartime shortages of personnel, the improvement in State finances and the decline in recipient loads have enabled the States to improve the administrative framework of public assistance programs. By the end of the fiscal year, 25 States had consolidated administration of all four types of public assistance in a single State agency, and in 20 States, local offices—either as branches of a single

State agency or as units supervised by the State—also provided a unified staff for taking applications, determining eligibility, reinvestigating status of recipients, and making home visits for old-age assistance, aid to dependent children, aid to the blind, and general assistance.

The Social Security Board serves as a central clearing house for information on public assistance operations in all States and is responsible for assuring that the provisions of State programs conform in framework and administration to the Federal conditions specified for their approval and for continuing eligibility for Federal funds. The Board's responsibilities for public assistance are carried out, in the main, through the Bureau of Public Assistance; regional representatives of that Bureau deal directly with State agencies. Through instructions to its regional representatives and advice to the States, the Bureau of Public Assistance seeks to assure uniform interpretation of Federal requirements and distribution of Federal funds in accordance with the provisions of the act. Consultative aid is also given to the States, on request, in administrative techniques, staff training, and program planning. Through the findings of the administrative reviews conducted by the Bureau and made available to the State agencies, these agencies have been able to appraise their operations and in many instances have improved their procedures before any formal analysis of their operations has been prepared.

Methods of determining need have become more realistic than in the past, though far more progress must be made before all States and localities can achieve fair and uniform principles in administration throughout a State. Some States or localities fail to provide sufficient money for housing, fuel, or other essentials; fail to use objective measures to determine the costs of requirements; or assume that an applicant or recipient receives money from certain sources, such as relatives, when in fact he does not.

In the decade since the Social Security Act was passed, public assistance has advanced far in the United States from the days when it was administered by "overseers of the poor." It has come nearer to the spirit of the country's early days when neighbors shared their resources with those whom fire or flood, disease or death, had deprived of their livelihood. Its further advance in preserving human dignity in adversity depends both on the principles which guide administration and on the extent to which differences in financial resources among the States are recognized in distribution of the Federal share of the cost.

Financing the Program

Of the total amount ($1,009 million) expended by the States in the fiscal year 1944–45 for assistance payments and administration of old-

age assistance, aid to dependent children, and aid to the blind, and for payments to cases receiving general assistance, 41 percent came from Federal funds. State funds bore 46 percent of these expenditures, and local funds were used for the remaining 13 percent. In the calendar year 1935, before Federal funds were available under the Social Security Act, State funds provided slightly less than half and local funds slightly more than half of the $498.9 million paid as assistance from State and local funds. In that year, however, Federal payments amounting to nearly three times as much ($1,372 million) were made under Federal work and assistance programs.

The Social Security Board certified $410 million for approved State public assistance programs in 1944–45 (table 10); of this amount, 84 percent was for old-age assistance, 13 percent for aid to dependent children, and 3 percent for aid to the blind. These grants included Federal funds to bear half the administrative costs of aid to dependent children and aid to the blind; for old-age assistance the Federal share of assistance payments is increased by 5 percent, with the proviso that States may use that increment for administrative costs, assistance payments, or both purposes. Beginning with the fiscal year 1944–45, appropriations to the Social Security Board for public assistance are made in a lump sum, to be distributed among programs and States in accordance with State entitlement to matching Federal funds.

As a result of the equal-matching basis provided in the Social Security Act, the amount of the Federal grant to a State is necessarily governed by the amount made available by the State or the State and its localities. The 10 States at the top of the list in per capita income payments in 1944, which represent 36 percent of the population of the country, received 40 percent of the total Federal funds granted for public assistance from February 1936 through December 1944; the 10 States with the lowest per capita income and with 18 percent of the total population received only 8 percent.

General Administration

No changes occurred in membership or general organization of the Board during the fiscal year. Arthur J. Altmeyer, of Wisconsin, one of the Board's three original members, continued as Chairman, an office which he has held since February 19, 1937.[4] George E. Bigge, of Rhode Island, has served continuously since his appointment on August 6, 1937. Ellen S. Woodward, of Mississippi, reappointed in 1943, has been in office since December 30, 1938. Oscar M. Powell, of Texas, who was the first Regional Director of the Board in Region X, has been Executive Director since November 1, 1938.

[4] The Senate, on July 18, 1945, confirmed the reappointment of Mr. Altmeyer as member of the Board for a 6-year term which will expire on August 13, 1951.

Administrative developments in Federal old-age and survivors insurance and in the State programs—unemployment compensation and public assistance—for which the Social Security Board carries Federal responsibility have been summarized in the preceding sections. Certain administrative functions necessary for two or more programs are delegated to service bureaus and offices responsible for coordinating policy and procedures, personnel and business management, financial operations, integrated research, and informational services.

Appropriations and Expenditures

Regular and deficiency appropriations to the Board for the fiscal year ended June 30, 1945, amounted to $471 million, as compared with $477 million for the preceding year. The difference was almost entirely accounted for by a smaller appropriation for grants to States for administering their unemployment compensation laws.

Of the Board's expenditures in the fiscal year 1944–45, 87 percent went to the States as the Federal share of their expenditures for public assistance and 7 percent for their administrative costs of unemployment compensation. About $27 million, or 6 percent of the total expenditure, represented the Board's costs of administering old-age and survivors insurance, unemployment compensation, and public assistance; about three-fourths of this sum, or $20 million, was reimbursed to the general fund of the Treasury from the old-age and survivors insurance trust fund as administrative costs chargeable to old-age and survivors insurance.

Expenditures for salaries and general expenses were slightly higher than in the preceding fiscal year; travel expenses were lower. The increase over 1943–44 in expenditures for personnel services resulted from an increase in field personnel. The decline in all three categories of administrative expenses from expenditures in the fiscal year 1942–43 testifies to successful efforts to operate with curtailed staff and under other restrictions dictated by the war emergency. Continued attempts were made to simplify operations, eliminate nonessential steps, and devise methods of work which would achieve economies in the use of manpower and materials. Through continued intensive training of new and inexperienced personnel, job rotations to permit concentration of staff on activities with recurrent peaks in work load, and curtailment or postponement of certain operations, Board staff have been able to keep abreast of the increase in the total volume of work due to the progressive development of the program. The Board has been aware of the need to maintain a core of experienced personnel and regional and field facilities to meet the impact of reconversion on the Federal and Federal-State programs for which it is responsible. Many services to State agencies and to the public which have been

eliminated or curtailed during the war emergency must now be resumed to assure fully effective operation.

Personnel

As of June 30, 1945, the Board had a staff of 10,629—5,545 in the departmental offices and 5,084 in the regional, field, and area offices (table 1). The increase of 584 over the number on June 30, 1944, was mainly in the field organization of the Bureau of Old-Age and Survivors Insurance, where the claims load had increased by about one-half as, with decline in war production, an increasing number of eligible persons were claiming their benefits. Except for this program and for a slight increase in departmental and field staff concerned with public assistance—through filling several vacancies within the ceilings imposed—all units of the Board showed either a loss of personnel during the year or remained at substantially the same level. With the continued approval of the Civil Service Commission and the War Manpower Commission, the Board maintained its recruiting program throughout the fiscal year to provide replacements for personnel losses to the armed services and to compensate for heavy turn-over among machine operators in wage-record activities for old-age and survivors insurance.

During the year, 87 ex-servicemen and women claimed their reemployment rights and were restored to duty. As of June 1945, 2,783 employees of the Board were on military leave without pay, while approximately 2,800 employees had transferred to other public agencies or private industry with reemployment rights. To prepare for prompt and effective placement of persons who wish to exercise those rights and to achieve a stable and effective working force, jobs in the various bureaus and offices are being reanalyzed, with emphasis on the responsibilities of the job, the types of skills required, and the experience and other qualifications needed. The Board believes that the diversity of duties in staff positions, the character of the programs, and the soundness of its personnel policy will afford opportunities for a satisfying career to employees who return as well as to those who have remained on the job and persons who will be employed in the future.

Coordinated Services for Management and Planning

The Office of the Executive Director is the administrative center of the Board's organization, responsible for correlating policies and procedures in Federal-State programs and instructions to regional and Territorial offices, for budgeting, and for supplying personnel and business management services, library and reference facilities, training programs, and publications services for departmental units of the Board. The Office of the Actuary is responsible for long-range

studies relating to population estimates, mortality, morbidity, and other factors relevant to costs of the social security program. The Bureau of Research and Statistics, working with the planning and analysis staffs of the program bureaus and other Federal agencies, is responsible for the development of the over-all research program of the Board and for evaluating the current and future operations of the programs for which the Board is responsible in relation to other programs and to needs for social security in the United States. Informational activities for all programs are centered in the Informational Service, which keeps people aware of their rights and obligations under Federal old-age and survivors insurance and aids State agencies in developing similar understanding of their unemployment compensation and public assistance programs. The Bureau of Accounts and Audits maintains accounting control of all the Board's operations and makes audits of expenditures from Federal appropriations for administration and expenditures of Federal funds granted to States for public assistance and for unemployment compensation administration.

Field Organization

The 11 regional and 2 Territorial offices maintained the organizational structure and locations of the preceding year and were effective outposts of the Board in dealing with State agencies and in providing general supervision of its field services. Decentralization of many functions to these offices, effected in this and earlier years, has resulted in more efficient and expeditious handling of business management, personnel, and pay-roll work.

Further consolidation, on a war-emergency basis, of field offices which maintain contacts with workers covered by old-age and survivors insurance, their employers, and claimants, resulted in closing 13 full-time offices during the year and substituting branch offices or itinerant services. As of June 30, 1945, there were 422 full-time offices, located in 403 cities. Branch offices were maintained in 38 additional localities with less concentrated numbers of covered workers and potential beneficiaries, and in 1,496 other localities personnel from adjacent field or branch offices held office hours at regular intervals in an office provided in some public building such as the post office.

Personnel Merit Systems in the States

The Social Security Act has made important contributions toward improving standards of public service. From the beginning of its collaboration with the States, in determining and assuring the effectiveness of State administration of public assistance and unemployment compensation, the Social Security Board has stressed the importance of merit standards for personnel administration as a founda-

tion for sound administrative practice. The basic principles of such standards—open competition for positions, selection of the best qualified candidate by means of an objective examination, equal pay for equal grades of work, protection of tenure, promotion and advancement in accordance with merit, and right of appeal—are the essentials of a career service and, as such, necessary to assure efficient administration. The 1939 amendments to the act made the establishment and maintenance of such standards a condition of approval of all State programs toward which Federal funds might be certified under the Social Security Act after January 1, 1940.

In August 1935, only 9 States had State-wide civil-service systems; in other States appointments to public departments, pay rates, promotion, and tenure more often than not depended on considerations other than merit. By January 1940, 18 States had State-wide civil-service systems; of the 33 others, 7 had voluntarily adopted merit-system standards for their public assistance personnel and 28 had similarly established such standards for their unemployment compensation agencies. By June 30, 1945, State-wide civil-service systems were in operation in 18 States, and in 3 States employees of public assistance and unemployment compensation agencies were covered by more limited State systems; 28 States had joint merit systems covering employees of both agencies and in many instances other government departments as well; and only 2 States had separate merit systems to serve unemployment compensation or public assistance personnel. During the fiscal year 1944–45, 2 States passed laws initiating State-wide civil service, and several States extended their joint merit systems for public assistance and unemployment compensation to other State departments in which Federal personnel standards were not involved.

The Social Security Board, in fulfilling its responsibilities under the Social Security Act, must determine that State programs for which Federal funds are made available not only have established merit-system machinery but also maintain merit-system standards in operation. In determining the administrative effectiveness of merit-system operations, the Board, through administrative reviews, works with the State agencies in evaluating their personnel programs. Personnel reviews were completed during the year for one or more agencies in 34 of the 51 States and Territories, and reviews in others were in progress. The State Technical Advisory Service, in the Office of the Executive Director, through its regional personnel representatives is responsible for these reviews and for offering help to State agencies, on request, on methods of merit-system administration.

Personnel administration in State public assistance and unemployment compensation agencies faces a major test in the reconversion

period. With decline in general employment and wages, work loads necessarily increase and heavy demands are made on a rapidly expanding staff. At the same time the merit system must meet the problems of filling positions held on a war-duration basis, reinstating former employees returning from military leave, making provision for others whose status was left unclear by war dislocation, and interpreting and administering veterans' preference provisions. The background of experience which the State agencies have gained justifies the expectation that the test will be met successfully.

War Emergency Programs

Since February 1942, the Social Security Board has been responsible for three emergency programs for temporary aid to civilians suffering injury or death from enemy action or civilian defense activities, and to other civilians in need of aid or rehabilitation because of enemy action or the danger thereof or restrictive action of the Government. Initially all three programs—civilian war benefits, civilian war assistance, and assistance and services to enemy aliens and other restricted persons—were financed from special allocations to the Federal Security Administrator from the President's Emergency Fund. That fund continued to provide for civilian war benefits and assistance throughout the fiscal year 1944–45, but special appropriations to the War Relocation Authority and Federal Security Agency financed assistance and services to enemy aliens and others affected by restrictive governmental action. The Board's administrative costs for these programs are included in the costs of operations under the Social Security Act (table 1), for departmental and field personnel of the Bureaus of Old-Age and Survivors Insurance and Public Assistance carry responsibilities for these programs in addition to their other duties. The funds allocated to the Board for other expenditures of the war emergency programs are not included in table 2. In the fiscal year, the Board paid $184,000 in civilian war benefits, and State agencies, acting as agents of the Board, paid $913,000 in civilian war assistance and $191,000 in aid to enemy aliens and others.

The civilian war benefits program provides for monthly payments ranging from $10 to $85, based on the civilian's earnings, and reimbursement of as much as $100 for burial expenses. Of the $184,000 expended in monthly benefits and lump-sum payments during the fiscal year, $25,500 went to 140 civilian defense workers who suffered temporary disability from injury sustained in line of duty; $8,900 went to permanently disabled defense workers, $146,500 to survivors of civilian defense workers who died as a result of service-incurred injury, and to dependents and survivors of other civilians killed, injured, or interned by the enemy; and $3,100 was paid as reimbursement for burial expenses.

On May 2, 1945, the President announced the liquidation, effective June 30, 1945, of the civilian defense organization and directed that no injuries or deaths sustained by civilian defense workers after April 30, 1945, could be compensated under the civilian war benefits program. The Social Security Board discontinued, as of June 30, acceptance of initial claims for disability incurred by defense workers; this action, however, did not affect applications for continuance of disability benefits or dependents' claims based on the death of a disability beneficiary. In June 1945, 24 permanently disabled persons received a total of $1,200 in monthly benefits, and 208 persons received dependents' and survivor benefits totaling $4,900. In June, the Bureau of Old-Age and Survivors Insurance, which administers this program, received 55 notices of injury and 68 applications for benefits, nearly all of which were filed by persons repatriated from internment in the Philippine Islands.

Under the civilian war assistance program also, extensive aid and services have been given to repatriates from the Philippines. In April and May, activities of State public assistance agencies cooperating with the Social Security Board were coordinated at ports of debarkation with those of the American Red Cross, the U. S. Public Health Service, and other Federal agencies, to provide for medical services; aid in getting in touch with relatives; funds for maintenance, shelter, clothing, and other essentials; and transportation to other parts of the United States. Through June 1945, nearly two-thirds of the 6,500 persons who returned from the liberated areas of the Islands received temporary aid or services under this program.

In the fiscal year 1944–45, civilian war assistance payments amounting to $913,000 were made by 35 State agencies from funds advanced or reimbursed by the Board. Puerto Rico and 51 States and Territories were cooperating with the Board in this program, which is administered by the Bureau of Public Assistance. In June 1945, 725 cases received assistance amounting to $115,000 and 312 received services only.

The Bureau of Public Assistance also is responsible for providing, through collaborating State agencies, assistance and services to enemy aliens and others affected by restrictive governmental action. In this program, the Bureau works with the War Relocation Authority and the Immigration and Naturalization Service of the Department of Justice. On December 17, 1944, the Commanding General of the Western Defense Command revoked the mass exclusion orders which had necessitated evacuation of persons of Japanese ancestry from the Pacific Coast. Beginning with January 2, 1945, such persons whose records were approved by the Army were permitted the same freedom

of movement throughout the United States allowed to other citizens and law-abiding aliens. In returning to the communities which they had left or establishing themselves with their families in other areas, many of these Japanese-Americans needed resettlement assistance and other services in meeting problems of transportation, housing, and community attitudes. From funds granted by the Social Security Board as advances or reimbursement to State agencies collaborating in this program, a total of $389,000 has been paid to recipients of assistance since the beginning of the program. In June 1945, 410 cases received $37,000 in assistance and 556 cases received services only.

For current and detailed information on social security operations, see the monthly Social Security Bulletin and Social Security Yearbooks for the calendar years 1939–44. The Bulletin for August 1945 contains a comprehensive review of developments in the first decade of the Social Security Act.

Appendix

Regional and Field Organization as of June 30, 1945

REGION I. Regional Director: John F. Hardy, Social Security Board, 120 Boylston Street, Boston 16, Mass.

Connecticut: 9 field offices—Bridgeport, Hartford, Meriden, New Britain, New Haven, New London, Stamford, Torrington, Waterbury; 1 branch office—Willimantic; itinerant service—22 other places.

Maine: 4 field offices—Augusta, Bangor, Lewiston, Portland; itinerant service—9 other places.

Massachusetts: 20 field offices—Boston (2), Brockton, Cambridge, Chelsea, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Lowell, Lynn, Malden, New Bedford, Pittsfield, Quincy, Salem, Springfield, Waltham, Worcester; 2 branch offices—Attleboro, Dorchester; itinerant service—42 other places.

New Hampshire: 4 field offices—Concord, Littleton, Manchester, Portsmouth; 1 branch office—Nashua; itinerant service—11 other places.

Rhode Island: 3 field offices—Pawtucket, Providence, Woonsocket; 1 branch office—Newport; itinerant service—3 other places.

Vermont: 3 field offices—Burlington, Montpelier, Rutland; itinerant service—13 other places.

REGION II–III. Regional Director: Peter Kasius, Social Security Board, 11 West Forty-second Street, New York 18, N. Y.

Delaware: 1 field office—Wilmington.

New Jersey: 10 field offices—Atlantic City, Bridgeton, Camden, Elizabeth, Jersey City, Newark, Passaic, Paterson, Perth Amboy, Trenton; itinerant service—21 other places.

New York: 31 field offices—Albany, Binghamton, Buffalo, Elmira, Glens Falls, Gloversville, Jamestown, Kingston, Newburgh, New Rochelle, New York City (Manhattan, 4; Bronx, 2; Brooklyn, 2; Jamaica; Long Island City; Staten Island), Niagara Falls, Ogdensburg, Poughkeepsie, Rochester, Schenectady, Syracuse, Troy, Utica, Watertown, Yonkers; 1 branch office—Oswego; itinerant service—92 other places.

Pennsylvania: 28 field offices—Allentown, Altoona, Ambridge, Braddock, Chester, Du Bois, Easton, Erie, Greensburg, Harrisburg, Hazleton, Johnstown, Lancaster, McKeesport, New Castle, New Kensington, Norristown, Philadelphia County (Philadelphia; Germantown; Kensington), Pittsburgh, Pottsville, Reading, Scranton, Uniontown, Wilkes-Barre, Williamsport, York; 1 branch office—Oil City; itinerant service—84 other places.

REGION IV. Regional Director: Lavinia Engle, Social Security Board, Lenox Building, 1523 L Street NW., Washington 25, D. C.

District of Columbia: 1 field office—Washington.

Maryland: 4 field offices—Baltimore, Cumberland, Hagerstown, Salisbury; itinerant service—15 other places.

North Carolina: 13 field offices—Asheville, Charlotte, Durham, Fayetteville, Gastonia, Greensboro, Hickory, High Point, Raleigh, Rocky Mount, Salisbury, Wilmington, Winston-Salem; itinerant service—87 other places.

Virginia: 10 field offices—Alexandria, Bristol, Danville, Lynchburg, Newport News, Norfolk, Petersburg, Richmond, Roanoke, Staunton; itinerant service—46 other places.

West Virginia: 6 field offices—Bluefield, Charleston, Clarksburg, Huntington, Parkersburg, Wheeling; 4 branch offices—Beckley, Logan, Martinsburg, Morgantown; itinerant service—33 other places.

REGION V. Regional Director: Mary E. Woods, Social Security Board, 521 Union Commerce Building, Cleveland 14, Ohio

Kentucky: 10 field offices—Ashland, Bowling Green, Corbin, Covington, Frankfort, Hazard, Lexington, Louisville, Owensboro, Paducah; itinerant service—38 other places.

Michigan: 17 field offices—Battle Creek, Bay City, Detroit and Wayne County (Detroit, 2; Dearborn; Highland Park), Escanaba, Flint, Grand Rapids, Jackson, Kalamazoo, Lansing, Marquette, Muskegon, Pontiac, Saginaw, Traverse City; itinerant service—85 other places.

Ohio: 18 field offices—Akron, Ashtabula, Canton, Cincinnati, Cleveland, Columbus, Dayton, Hamilton, Lima, Lorain, Mansfield, Marion, Portsmouth, Springfield, Toledo, Warren, Youngstown, Zanesville; itinerant service—132 other places.

REGION VI. Regional Director: Henry L. McCarthy, Social Security Board, Room 2200, 188 West Randolph Street, Chicago 1, Ill.

Illinois: 22 field offices—Aurora, Chicago and Cook County (Chicago, 5; Cicero; Evanston; Harvey; Oak Park), Danville, Decatur, East St. Louis, Harrisburg, Joliet, Mount Vernon, Peoria, Quincy, Rockford, Rock Island, Springfield, Waukegan; 3 branch offices—Bloomington, Champaign, Galesburg; itinerant service—60 other places.

Indiana: 14 field offices—Bloomington, Elkhart, Evansville, Fort Wayne, Gary, Hammond, Indianapolis, Kokomo, La Fayette, Muncie, New Albany, Richmond, South Bend, Terre Haute; 2 branch offices—Anderson, East Chicago; itinerant service—57 other places.

Wisconsin: 10 field offices—Eau Claire, Fond du Lac, Green Bay, La Crosse, Madison, Milwaukee, Racine, Sheboygan, Superior, Wausau; 3 branch offices—Janesville, Kenosha, Oshkosh; itinerant service—47 other places.

REGION VII. Regional Director: Richard H. Lyle, Social Security Board, 441 West Peachtree Street, Atlanta 3, Ga.

Alabama: 8 field offices—Anniston, Birmingham, Decatur, Dothan, Gadsden, Mobile, Montgomery, Tuscaloosa; itinerant service—47 other places.

Florida: 8 field offices—Jacksonville, Miami, Orlando, Pensacola, St. Petersburg, Tallahassee, Tampa, West Palm Beach; 2 branch offices—Daytona Beach, Gainesville; itinerant service—29 other places.

Georgia: 9 field offices—Albany, Athens, Atlanta, Augusta, Columbus, Macon, Rome, Savannah, Waycross; 2 branch offices—La Grange, Valdosta; itinerant service—38 other places.

Mississippi: 7 field offices—Columbus, Greenwood, Gulfport, Hattiesburg, Jackson, Meridian, Vicksburg; 1 branch office—Tupelo; itinerant service—30 other places.

South Carolina: 7 field offices—Charleston, Columbia, Florence, Greenville, Greenwood, Rock Hill, Spartanburg; itinerant service—27 other places.

Tennessee: 8 field offices—Chattanooga, Columbia, Dyersburg, Jackson, Johnson City, Knoxville, Memphis, Nashville; itinerant service—39 other places.

REGION VIII. Regional Director: Chester B. Lund, Social Security Board, Midland Bank Building, Fourth Street and Second Avenue, Minneapolis 1, Minn.

Iowa: 8 field offices—Cedar Rapids, Davenport, Des Moines, Dubuque, Fort Dodge, Ottumwa, Sioux City, Waterloo; itinerant service—14 other places.

Minnesota: 8 field offices—Albert Lea, Bemidji, Duluth, Minneapolis, Redwood Falls, St. Cloud, St. Paul, Winona; itinerant service—11 other places.

Nebraska: 4 field offices—Grand Island, Lincoln, North Platte, Omaha; itinerant service—11 other places.

North Dakota: 4 field offices—Bismarck, Fargo, Grand Forks, Minot; itinerant service—1 other place.

South Dakota: 3 field offices—Aberdeen, Rapid City, Sioux Falls; itinerant service—1 other place.

REGION IX. Regional Director: John E. Wrenn, Social Security Board, 1006 Grand Avenue, Kansas City 6, Mo.

Arkansas: 7 field offices—El Dorado, Fort Smith, Hot Springs, Jonesboro, Little Rock, Pine Bluff, Texarkana; itinerant service—32 other places.

Kansas: 6 field offices—Dodge City, Independence, Kansas City, Salina, Topeka, Wichita; 2 branch offices—Hutchinson, Pittsburg; itinerant service—22 other places.

Missouri: 10 field offices—Cape Girardeau, Clayton, Hannibal, Jefferson City, Joplin, Kansas City, St. Joseph, St. Louis (2), Springfield; itinerant service—28 other places.

Oklahoma: 7 field offices—Ardmore, Enid, Lawton, McAlester, Muskogee, Oklahoma City, Tulsa; itinerant service—35 other places.

REGION X. Regional Director: James B. Marley, Social Security Board, North Presa and East Houston Streets, San Antonio 5, Tex.

Louisiana: 6 field offices—Alexandria, Baton Rouge, Lake Charles, Monroe, New Orleans, Shreveport; itinerant service—13 other places.

New Mexico: 1 field office—Albuquerque; 2 branch offices—Roswell, Santa Fe; itinerant service—1 other place.

Texas: 19 field offices—Abilene, Amarillo, Austin, Beaumont, Brownsville, Corpus Christi, Dallas, El Paso, Fort Worth, Galveston, Houston, Lubbock, Lufkin, Paris, San Angelo, San Antonio, Tyler, Waco, Wichita Falls; itinerant service—100 other places.

REGION XI. Regional Director: Heber R. Harper, Social Security Board, 321 Equitable Building, 730 Seventeenth Street, Denver 2, Colo.

Colorado: 5 field offices—Colorado Springs, Denver, Grand Junction, Greeley, Pueblo; 2 branch offices—Alamosa, Boulder; itinerant service—15 other places.

Idaho: 3 field offices—Boise, Pocatello, Twin Falls; 1 branch office—Lewiston; itinerant service—3 other places.

Montana: 5 field offices—Billings, Butte, Great Falls, Helena, Missoula; 1 branch office—Havre; itinerant service—23 other places.

Utah: 2 field offices—Ogden, Salt Lake City; 1 branch office—Provo; itinerant service—28 other places.

Wyoming: 3 field offices—Casper, Cheyenne, Rock Springs; itinerant service—3 other places.

REGION XII. Regional Director: Richard M. Neustadt, Social Security Board, 785 Market Street, San Francisco 3, Calif.

Arizona: 3 field offices—Flagstaff, Phoenix, Tucson; 1 branch office—Prescott; itinerant service—4 other places.

California: 19 field offices—Bakersfield, Fresno, Los Angeles County (Glendale; Hollywood; Huntington Park; Long Beach; Los Angeles; Pasadena), Oakland, Redding, Sacramento, San Bernardino, San Diego, San Francisco, San Jose, San Mateo, Santa Barbara, Santa Rosa, Stockton; 3 branch offices—Eureka, Inglewood, Santa Monica; itinerant service—32 other places.

Nevada: 2 field offices—Las Vegas, Reno.

Oregon: 5 field offices—Eugene, Klamath Falls, La Grande, Portland, Salem.

Washington: 6 field offices—Bellingham, Olympia, Seattle, Spokane, Tacoma, Yakima; 1 branch office—Aberdeen; itinerant service—9 other places.

TERRITORIAL

Alaska: Territorial Director: Hugh J. Wade, Social Security Board, P. O. Box 1331, Juneau.

Hawaii: Territorial Director: Robert W. Beasley, Social Security Board, 425 Dillingham Building, Honolulu. One field office—Honolulu; itinerant service—3 other places.

AREA OFFICES

188 West Randolph Street, Chicago 1, Ill.; 829 St. Charles Street, New Orleans 13, La.; 155 East Forty-fourth Street, New York 17, N. Y.; 121 North Broad Street, Philadelphia 7, Pa.; 22 Battery Street, San Francisco 11, Calif.

Table 1.—*Social Security Board administration: Personnel, and salaries, travel, and general expenses, by Bureau or Office, fiscal year 1944–45*

[Amounts in thousands]

Bureau or Office	Personnel, June 30, 1945			Expenses, fiscal year 1944–45			
	Total	Departmental	Field	Total	Salaries	Travel	General expenses
Total	10,629	5,545	5,084	$26,233	$22,295	$708	$3,230
Office of the Board	16	15	1	70	69	1	(1)
Office of the Executive Director	470	461	9	1,297	1,124	33	[2] 140
Regional and Territorial offices	347		347	1,056	836	15	205
Office of the Actuary	15	15	0	52	51	1	(1)
Office of Appeals Council	30	10	20	146	127	19	(1)
Bureau of Old-Age and Survivors Insurance	9,007	4,536	4,471	20,729	17,516	411	2,802
Bureau of Employment Security	200	172	28	906	848	51	7
Bureau of Public Assistance	249	155	94	793	713	68	12
Bureau of Accounts and Audits	195	95	100	758	664	90	4
Bureau of Research and Statistics	62	59	3	219	203	4	12
Informational Service	38	27	11	207	144	15	48

[1] Included in amount for Office of the Executive Director.
[2] Includes amounts for Office of the Board, Office of the Actuary, and Office of Appeals Council.

Table 2.—*Social Security Board administration: Appropriations [1] and expenses, [2] fiscal years 1943–45*

[Amounts in thousands; data as of June 30, 1945]

Item	1944–45	1943–44	1942–43
	Appropriations [1]		
Total	$471,268	$477,040	$503,436
Grants to States	444,472	450,082	474,685
Old-age assistance [3]	[5] 410,058	[4] 343,654	[4] 329,164
Aid to dependent children [3]		[6] 56,890	[6] 78,006
Aid to the blind [3]		10,115	8,710
Unemployment compensation administration	[7] 34,414	[7] 39,423	[8] 58,805
Administrative expenses of Social Security Board [9]	26,796	26,958	28,751
Salaries	22,711	22,451	23,856
Travel	783	858	1,121
General expenses	3,302	3,649	3,774
	Expenses [1]		
Total	$470,547	$466,929	$479,994
Grants to States	444,314	441,071	452,090
Old-age assistance [3]	345,738	340,776	319,176
Aid to dependent children [3]	53,891	54,402	67,927
Aid to the blind [3]	10,355	9,764	8,523
Unemployment compensation administration	[10] 34,330	[10] 36,129	[11] 56,464
Administrative expenses of Social Security Board	26,233	25,858	27,904
Salaries	22,295	22,003	23,616
Travel	708	738	858
General expenses	3,230	3,117	3,430

[1] Includes regular and deficiency appropriations to the Board; allotments and transfers to the Board for administrative expenses from appropriations of the Federal Security Agency; transfers from the War Manpower Commission for 1943–44 and 1944–45; recoveries from public assistance recipients or their estates; and defense appropriations for 1942–43. Excludes allocations for the war emergency programs.
[2] Obligations against funds available for fiscal year as defined in footnote 1 for grants to States (advances certified) and administrative expenses of the Social Security Board, including amounts for administration of title II of the Social Security Act for which the general fund of the Treasury is reimbursed from the old-age and survivors insurance trust fund.
[3] A single appropriation covered the 3 public assistance programs for 1944–45. Appropriations and expenses for 1942–43 and 1943–44 reflect transfers among the 3 programs.
[4] Includes recoveries of $303,887 in 1943–44 and $164,454 in 1942–43.
[5] Includes $257,910 in recoveries.
[6] Includes recoveries of $4,976 in 1943–44 and $6,094 in 1942–43.
[7] Includes $4,417,892 for 1944–45 and $4,095,411 for 1943–44 transferred from WMC to reimburse States for facilities and services furnished to U. S. Employment Service.
[8] Excludes $23,845,471 transferred to WMC with transfer of USES, December 1942.
[9] Reflects transfers from Social Security Board appropriations to Federal Security Agency.
[10] Includes expenditures by State agencies for facilities and services furnished to USES, reimbursed in 1944–45 and 1943–44, respectively, from the $4.4 million and $4.1 million received from WMC.
[11] Includes $15,803,000 for USES administered by Social Security Board, July–November 1942.

Table 3.—*Financing social insurance under the Social Security Act: Contributions collected and trust fund operations, fiscal years 1943–45*

[In millions]

Item	1944–45	1943–44	1942–43
Contributions collected under:			
Federal Insurance Contributions Act [1]	$1,310	$1,292	$1,130
Federal Unemployment Tax Act [2]	185	180	158
State unemployment compensation laws [3] [4]	1,252	1,353	1,218
Old-age and survivors insurance trust fund:			
Receipts, total	1,434	1,395	1,218
Appropriations [5]	1,310	1,292	1,130
Interest	124	103	87
Expenditures, total	267	217	177
Monthly benefits and lump-sum payments [6]	240	185	149
Administration [7]	27	33	27
Assets, end of year	6,613	5,446	4,268
State accounts in Federal unemployment trust fund:			
Receipts, total	1,369	1,438	1,293
Deposits [4]	1,256	1,349	1,218
Interest	113	89	76
Withdrawals for benefit payments	70	60	174
Assets, end of year	6,679	5,380	4,003

[1] 1-percent tax paid by employers and by employees on wages up to and including $3,000 a year.
[2] Tax paid only by employers of 8 or more. Employers offset against this tax—up to 90 percent of the amount assessed—contributions which they have paid under State unemployment compensation laws or full amount they would have paid if they had not been allowed reduced contribution rates under State experience-rating provisions. Rate is 3 percent of first $3,000 a year of wages paid to each employee by subject employer; because of credit offset, effective rate is 0.3 percent of such wages.
[3] Contributions plus penalties and interest collected from employers and contributions from employees, reported by State agencies; corrected to July 26, 1945.
[4] Contributions and deposits by States differ slightly, primarily because of time lag in making deposits.
[5] Equal to amounts collected under Federal Insurance Contributions Act.
[6] Checks-cashed basis.
[7] Figures do not reflect actual expenses in the respective years because of bookkeeping adjustments.

Source: Compiled from *Daily Statement of the U. S. Treasury* and State agency reports.

Table 4.—*Old-age and survivors insurance: Monthly benefits in force for family groups, June 30, 1945 and 1944*

[In thousands, except for average benefit; estimated from a 20-percent sample; corrected to Sept. 12, 1945]

Type of family and entitled beneficiaries	June 30, 1945				June 30, 1944			
	Number of families	Number of beneficiaries	Monthly benefits in force		Number of families	Number of beneficiaries	Monthly benefits in force	
			Total monthly amount	Average per family			Total monthly amount	Average per family
Total	813.0	1,284.7	$23,607	$29.00	633.0	998.2	$18,252	$28.80
Retired-worker families:								
Worker only:								
Male	286.4	286.4	6,904	24.10	230.8	230.8	5,479	23.70
Female	69.0	69.0	1,337	19.40	55.6	55.6	1,063	19.10
Worker and wife	153.3	306.6	5,812	37.90	121.5	243.0	4,552	37.50
Worker and 1 child	6.8	13.6	241	35.40	6.5	13.0	226	34.80
Worker and 2 or more children	3.5	10.7	154	44.10	3.4	10.3	148	43.60
Worker, wife, and children	.2	.5	8	(1)	.1	.4	6	(1)
Survivor families:								
Aged widow only	83.0	83.0	1,672	20.20	58.1	58.1	1,170	20.20
Widow and 1 child	79.3	158.7	2,707	34.20	58.0	115.9	1,987	34.20
Widow and 2 children	42.9	128.7	2,034	47.40	32.5	97.4	1,535	47.20
Widow and 3 or more children	22.8	92.8	1,148	50.40	18.3	74.8	924	50.50
1 child only	27.1	27.1	337	12.40	20.1	20.1	248	12.40
2 children	12.6	25.2	298	23.70	8.6	17.2	201	23.30
3 children	7.2	21.5	256	35.50	5.0	15.1	175	34.80
4 or more children	13.6	55.2	624	46.10	10.4	42.0	479	46.10
1 parent	4.8	4.8	64	13.20	3.8	3.8	50	13.20
2 parents	.5	.9	11	(1)	.3	.7	9	(1)

[1] No average shown because based on too few cases.

Table 5.—*Old-age and survivors insurance: Selected data on benefits and wage credits, by State, for specified periods, 1943–45*

[In thousands, except for average wage credits]

State [1]	Monthly benefits in force, June 30 [2]		Payments certified, fiscal year [2]			Workers with wage credits, calendar year [5]	Amount of wage credits, calendar year [6]		Employee accounts established, fiscal year [7]	Employers reporting taxable wages, July–September [8]
	Number	Amount	Total [3]	Monthly benefits	Lump-sum payments [4]		Total	Average per worker		
1942–43 [9]	795.7	$14,485	$155,735	$139,139	$16,545	46,928	$52,261,000	$1,114	8,261	2,174.0
1943–44 [9]	998.2	18,252	192,438	173,282	19,134	48,579	61,764,000	1,271	5,778	2,066.0
1944–45 [9]	1,284.7	23,607	250,638	224.751	25,863	47,518	64,033,000	1,348	3,979	2,114.0
Ala.	18.9	275	3,144	2,868	276	869	719,505	828	103	24.4
Alaska	.3	7	72	61	11	52	59,846	1,151	2	1.8
Ariz.	4.0	69	748	672	76	218	179,301	822	20	9.4
Ark.	8.2	117	1,326	1,212	114	390	253,903	651	71	17.7
Calif.	82.9	1,626	16,833	15,072	1,761	4,187	5,153,954	1,231	266	157.9
Colo.	9.2	169	1,801	1,649	152	390	338,944	869	38	19.4
Conn.	24.8	494	5,112	4,497	615	1,022	1,532,567	1,500	34	30.3
Del.	3.3	60	672	603	69	175	201,093	1,149	7	4.8
D. C.	6.3	114	1,276	1,119	157	360	324,575	902	31	14.0
Fla.	19.9	349	3,944	3,661	283	808	626,162	775	74	32.9
Ga.	18.8	262	2,947	2,632	315	1,021	726,351	711	114	31.4
Hawaii	3.3	52	621	583	38	140	155,300	1,109	11	5.4
Idaho	3.2	55	458	428	30	145	115,631	797	16	7.4
Ill.	85.1	1,670	17,922	15,833	2,089	3,802	4,638,117	1,220	226	162.6
Ind.	34.8	632	6,697	5,999	698	1,573	1,874,675	1,192	99	54.5
Iowa	16.2	277	2,802	2,568	234	632	551,019	872	66	40.8
Kans.	12.1	202	1,907	1,726	181	600	537,789	896	54	28.7
Ky.	20.8	323	4,016	3,717	299	625	544,879	872	78	24.6
La.	14.2	221	2,453	2,208	245	736	624,125	848	83	24.0
Maine	11.8	203	1,967	1,794	173	347	379,782	1,094	24	15.7
Md.	18.4	328	3,682	3,222	460	970	1,114,794	1,149	67	27.2
Mass.	71.9	1,424	12,915	11,564	1,351	2,000	2,531,190	1,266	100	76.3
Mich.	55.1	1,057	11,016	9,656	1,360	2,700	4,158,419	1,540	142	83.6
Minn.	18.8	356	3,922	3,543	379	824	852,749	1,035	79	44.6
Miss.	7.3	99	1,024	921	103	424	226,033	533	71	15.7
Mo.	30.3	553	6,009	5,378	631	1,436	1,383,762	964	121	62.3
Mont.	4.0	76	775	710	65	130	129,012	992	14	9.1
Nebr.	6.3	106	1,149	1,029	120	355	294,409	829	37	18.1
Nev.	1.0	19	244	208	36	87	67,196	772	4	2.5
N. H.	7.1	129	1,306	1,190	116	190	181,693	956	14	9.1
N. J.	54.2	1,091	12,079	10,714	1,365	2,198	2,849,451	1,296	94	77.9
N. Mex.	2.3	35	366	344	22	135	84,135	623	17	7.0
N. Y.	172.2	3,378	34,927	31,357	3,570	6,714	8,398,571	1,251	358	312.6
N. C.	23.1	322	3,469	3,097	372	1,018	757,212	744	101	33.7
N. Dak.	1.6	26	298	265	33	91	52,096	572	15	7.8
Ohio	81.6	1,567	16,877	15,059	1,818	3,283	4,400,496	1,340	197	108.0
Okla.	10.3	170	1,758	1,597	161	635	518,233	816	70	27.4
Oreg.	13.3	253	2,573	2,302	271	610	706,484	1,158	39	20.3
Pa.	126.5	2,380	26,252	23,630	2,622	4,159	5,413,535	1,302	250	133.2
R. I.	11.2	214	2,320	2,054	266	380	473,466	1,246	14	11.9
S. C.	11.9	160	1,757	1,583	174	551	368,050	668	54	16.8
S. Dak.	2.1	36	387	354	33	113	72,436	641	15	9.1
Tenn.	18.4	275	2,968	2,687	281	1,003	777,163	775	111	30.0
Tex.	35.9	564	6,245	5,582	663	2,201	1,966,889	894	244	101.4
Utah	4.9	84	889	828	61	245	219,346	895	18	7.2
Vt.	4.1	72	779	711	68	116	102,632	885	10	6.0
Va.	21.4	333	3,660	3,288	372	950	764,548	805	81	34.3
Wash.	21.4	418	4,358	3,954	404	1,070	1,251,939	1,170	66	34.4
W. Va.	20.4	342	3,939	3,655	284	584	675,923	1,157	57	20.1
Wis.	28.1	535	5,699	5,138	561	1,117	1,370,693	1,227	94	54.4
Wyo.	1.5	28	254	229	25	80	63,927	799	8	4.3

[1] State distribution estimated, except for employee accounts established.

[2] Data for beneficiaries residing in foreign countries are allocated to State in which claim was filed.

[3] United States totals include lump-sum payments under 1935 act, not distributed by State, amounting to $51,000 in 1942–43, $22,000 in 1943–44, and $24,000 in 1944–45.

[4] Under 1939 amendments. For lump-sum payments under 1935 act, see footnote 3.

[5] United States totals represent number of different workers employed at some time during 1942, 1943, and 1944, respectively. State data represent workers employed in State at some time during 1943; workers employed in more than 1 State counted once in each of States in which employed.

[6] United States totals are for 1942, 1943, and 1944, respectively. State data represent 1943 wage credits, distributed according to State where wages were paid.

[7] For 1944–45, covers period July 1, 1944–June 29, 1945. For 1942–43 and 1943–44, excludes accounts issued to Federal civilian employees of the War Department.

[8] Employer returns for July–September 1942, 1943, and 1944, respectively. A return may relate to more than 1 establishment if the employer operates several establishments but reports for concern as a whole. Employers operating in more than 1 State are included in State from which return is filed.

[9] See column heads for period to which data relate.

Table 6.—*Old-age and survivors insurance: Benefits in force and in current-payment status, payments certified, and workers with wage credits, for specified periods, 1943–45*

[Corrected to Aug. 30, 1945]

Item	Fiscal year		
	1944–45	1943–44	1942–43
Benefits in force (end of period):			
Number	1,284,679	998,229	795,712
Primary	519,186	417,921	349,240
Wife's	153,521	121,645	99,516
Child's	378,315	287,368	220,547
Widow's	83,007	58,107	38,191
Widow's current	144,923	108,721	84,669
Parent's	5,727	4,467	3,549
Total monthly amount	$23,606,761	$18,252,457	$14,484,616
Primary	12,357,934	9,805,734	8,078,785
Wife's	1,937,931	1,517,354	1,225,285
Child's	4,692,331	3,545,892	2,701,544
Widow's	1,672,764	1,171,475	769,315
Widow's current	2,870,973	2,153,432	1,663,327
Parent's	74,828	58,570	46,360
Average monthly amount:			
Primary	$23.80	$23.46	$23.13
Wife's	12.62	12.47	12.31
Child's	12.40	12.34	12.25
Widow's	20.15	20.16	20.14
Widow's current	19.81	19.81	19.65
Parent's	13.07	13.11	13.06
Benefits in current-payment status (end of period):			
Number	1,106,002	846,303	676,302
Primary	430,723	339,954	284,063
Wife's	132,155	103,164	84,398
Child's	348,413	261,806	201,954
Widow's	81,500	57,126	37,680
Widow's current	107,597	79,866	64,711
Parent's	5,614	4,387	3,496
Total monthly amount	$20,162,831	$15,350,875	$12,198,617
Primary	10,310,626	8,027,699	6,598,535
Wife's	1,680,602	1,297,794	1,045,686
Child's	4,324,073	3,234,191	2,478,715
Widow's	1,642,415	1,151,346	758,205
Widow's current	2,131,699	1,582,297	1,271,749
Parent's	73,416	57,548	45,727
Average monthly amount:			
Primary	$23.94	$23.61	$23.23
Wife's	12.72	12.58	12.39
Child's	12.41	12.35	12.27
Widow's	20.15	20.15	20.12
Widow's current	19.81	19.81	19.65
Parent's	13.08	13.12	13.08
Payments certified during period:			
Monthly benefits	$224,751,610	$173,281,396	$139,139,105
Primary	114,587,797	90,931,439	75,930,714
Supplementary	20,218,139	15,843,939	13,332,457
Survivor	89,945,674	66,506,018	49,875,934
Lump-sum payments	25,886,565	19,156,496	16,595,499
1939 amendments	25,862,633	19,134,018	16,544,598
1935 act	23,932	22,478	50,901
Total estimated number of living workers with wage credits (midpoint of period—Jan. 1)	70,600,000	66,100,000	58,800,000
Fully insured	31,700,000	30,000,000	28,100,000
Currently but not fully insured	7,200,000	5,100,000	3,100,000
Uninsured	31,700,000	31,000,000	27,600,000

Table 7.—*Unemployment compensation: Selected data on benefits, claims, employment, and finance, by State, for specified periods, 1944–45*

[Corrected to Sept. 17, 1945]

State	Beneficiaries,[1] fiscal year	Benefit payments, fiscal year: Total amount[2] (in thousands)	Benefit payments, fiscal year: Average weekly benefit for total unemployment	Benefit payments, fiscal year: Ratio of benefits[2] to collections[3] (percent)	Weeks compensated, fiscal year (in thousands)	Initial claims,[4] fiscal year (in thousands)	Workers with wage credits,[5] calendar year (in thousands)	Employers subject to State law, June 30 (in thousands)	Funds available for benefits, June 30[6] (in millions)	Federal grants for administration,[7] fiscal year (in thousands)
1942–43 [8]	1,355,410	$176,095	$13.07	14.5	13,968	3,188	43,400	870	$4,008	[9] $35,558
1943–44 [8]	528,072	60,994	14.96	4.5	4,259	1,552	44,900	865	5,389	31,574
1944–45 [8]	594,348	71,209	16.70	5.7	4,447	1,688	[10] 44,000	903	6,685	29,785
Ala.	5,366	695	11.68	6.5	60	13	738	6	66	339
Alaska	298	34	14.94	1.8	2	1	49	1	8	52
Ariz.	857	72	14.14	2.0	5	4	191	4	18	130
Ark.	2,146	151	10.95	2.7	14	7	363	19	28	266
Calif.	78,050	14,285	18.75	8.7	800	209	3,778	54	697	2,310
Colo.	758	80	13.00	1.6	6	2	307	4	33	155
Conn.	16,660	1,641	19.37	5.5	88	47	962	14	170	501
Del.	1,545	129	15.92	11.5	9	4	143	5	14	118
D. C.	1,921	356	17.67	21.9	21	3	339	[11] 16	43	277
Fla.	10,807	876	13.03	6.2	70	20	679	8	54	344
Ga.	4,791	483	11.70	3.3	42	12	864	9	76	427
Hawaii	60	3	18.99	.2	[12]	[12]	131	6	17	116
Idaho	477	61	13.18	2.2	5	1	134	9	14	116
Ill.	72,855	7,497	18.22	9.6	446	191	3,271	41	502	2,125
Ind.	16,896	1,256	16.20	3.8	81	47	1,320	12	178	653
Iowa.	3,103	266	11.99	2.2	23	7	508	8	59	237
Kans.	2,501	257	12.95	2.4	21	7	474	5	52	232
Ky.	6,086	595	10.56	4.8	58	19	529	9	84	352
La.	5,043	590	14.69	3.2	42	13	672	12	75	371
Maine.	7,264	572	12.84	7.7	48	16	264	3	35	182
Md.	7,975	803	17.99	3.3	52	10	852	28	123	399
Mass.	26,382	2,649	16.52	10.5	170	80	1,779	75	213	1,624
Mich.	84,401	11,632	19.39	23.8	603	214	2,207	21	276	1,507
Minn.	2,900	375	14.21	1.8	28	9	729	23	85	515
Miss.	1,783	159	11.27	2.6	15	6	349	4	24	204
Mo.	9,353	953	14.46	3.5	71	28	1,181	13	154	591
Mont.	592	73	12.44	2.1	6	1	118	9	17	118
Nebr.	677	57	12.19	1.3	5	2	269	4	25	132
Nev.	228	33	14.69	1.8	2	1	60	3	10	77
N. H.	1,415	121	11.70	3.8	11	5	134	4	21	136
N. J.	34,209	3,710	16.68	4.6	237	100	1,909	20	435	1,490
N. Mex.	113	10	11.45	.5	1	1	127	6	9	106
N. Y.	93,098	11,046	16.78	4.9	680	321	5,943	127	955	4,206
N. C.	4,745	322	9.22	1.8	36	14	777	11	101	489
N. Dak.	132	14	12.17	1.9	1	[12]	65	1	5	68
Ohio.	8,484	778	14.51	1.1	56	34	3,097	51	462	1,406
Okla.	2,080	209	14.60	3.0	15	8	489	6	46	258
Oreg.	3,081	228	14.39	1.4	17	10	574	10	69	306
Pa.	25,324	2,582	15.55	4.0	171	86	3,918	127	598	2,362
R. I.	10,604	1,264	16.64	8.6	82	23	325	7	70	247
S. C.	2,208	222	10.65	3.6	21	9	433	4	37	252
S. Dak.	235	16	9.55	2.8	2	1	72	2	6	67
Tenn.	12,501	1,382	11.66	6.3	120	27	880	7	80	385
Tex.	5,530	583	12.12	2.6	49	21	1,820	20	149	819
Utah.	1,147	183	19.13	3.7	10	2	187	8	24	162
Vt.	431	62	12.83	3.0	5	1	95	2	12	87
Va.	3,282	251	10.80	2.8	25	5	787	9	62	406
Wash.	6,172	516	14.43	1.5	37	14	1,042	35	143	538
W. Va.	7,712	516	14.66	4.7	36	18	506	5	67	286
Wis.	[13]	555	14.62	1.4	40	14	1,024	15	173	485
Wyo.	70	5	15.10	.4	[12]	[13]	79	4	8	78

[1] Based on number of first payments. Totals exclude figures for Wisconsin; data not comparable.
[2] Adjusted for voided benefit checks.
[3] Contributions, penalties, and interest from employers, and contributions from employees. Adjusted for refunds of contributions and for dishonored contribution checks.
[4] New claims, plus claims filed at beginning of an additional spell of unemployment during a previously established benefit year.
[5] Estimated number of different workers in each State with wages in covered employment some time in calendar year 1942, 1943, and 1944, respectively, after adjustment for duplication resulting from employment of individual workers in more than 1 State during same year. Gross totals before adjustment are: for 1942, 48,233,000; for 1943, 49,496,000; for 1944, 47,543,000.
[6] Sum of balances in State clearing account, benefit-payment account, and unemployment trust fund account maintained in the U. S. Treasury.

(Continued on next page)

Table 8.—*Unemployment compensation: State accounts in the Federal unemployment trust fund, by State, fiscal year 1944–45* [1]

[In thousands]

State	Deposits	Interest	Withdrawals	Balance, end of year
Total	$1,255,281	$115,222	[2] $72,504	$6,679,298
Alabama	10,715	1,135	728	65,768
Alaska	1,954	127	35	7,668
Arizona	3,667	316	76	18,437
Arkansas	5,587	477	165	28,101
California	164,149	11,820	14,240	696,836
Colorado	4,847	577	80	33,037
Connecticut	30,010	2,954	1,575	170,097
Delaware	1,118	262	132	14,399
District of Columbia	1,635	789	359	42,655
Florida	14,009	887	919	53,765
Georgia	14,890	1,307	500	76,263
Hawaii	1,774	306	(3)	17,145
Idaho	2,765	239	61	13,994
Illinois	77,810	8,821	7,750	501,405
Indiana	32,805	3,086	1,365	178,182
Iowa	12,022	1,002	270	59,028
Kansas	10,931	885	250	51,953
Kentucky	12,340	1,464	[2] 925	83,592
Louisiana	18,658	1,251	572	74,850
Maine	7,447	600	560	34,910
Maryland	24,167	2,107	800	122,719
Massachusetts	25,268	3,801	2,700	212,804
Michigan	48,833	4,904	12,450	274,861
Minnesota	20,535	1,419	379	85,362
Mississippi	6,095	399	160	24,050
Missouri	27,255	2,660	914	153,496
Montana	3,538	296	70	17,405
Nebraska	4,420	435	60	25,200
Nevada	1,840	168	36	9,728
New Hampshire	3,212	371	140	21,166
New Jersey	80,502	7,494	3,665	434,793
New Mexico	1,785	162	10	9,455
New York	226,928	15,953	10,800	954,278
North Carolina	18,489	1,741	335	100,563
North Dakota	751	86	16	4,905
Ohio	76,465	8,043	750	461,559
Oklahoma	7,075	804	205	45,994
Oregon	15,896	1,173	225	69,386
Pennsylvania	64,130	10,654	2,600	597,903
Rhode Island	14,683	1,200	1,300	70,172
South Carolina	6,092	645	240	36,933
South Dakota	570	112	14	6,213
Tennessee	21,824	1,328	1,420	80,155
Texas	22,234	2,621	571	148,718
Utah	4,970	418	190	24,460
Vermont	2,041	208	65	11,959
Virginia	8,850	1,091	285	62,167
Washington	35,615	2,388	521	142,624
West Virginia	10,958	1,171	505	67,283
Wisconsin	39,897	2,932	515	173,309
Wyoming	1,230	132	(3)	7,594

[1] Trust fund maintains a separate account for each State agency, in which are held all moneys deposited from State unemployment funds and from which State agencies withdraw amounts as required for benefit payments. Deposits include those not cleared by the Treasurer of the United States; interest includes accrued interest receivable; withdrawals include outstanding checks. These items excluded from table 3.

[2] Includes withdrawals from the Kentucky account for administrative expenses of the State unemployment compensation program; equivalent amounts, recorded as grants to the State for unemployment compensation administration, were paid by the Social Security Board for the State to the railroad unemployment account in accordance with section 13 of the Railroad Unemployment Insurance Act.

[3] Cash in State benefit-payment account was sufficient to cover benefit expenditures ($2,892 in Hawaii and $4,823 in Wyoming) during fiscal year without withdrawals from accounts in trust fund.

Source: Compiled from data furnished by the Treasury Department, Bureau of Accounts.

Footnotes to Table 7—Continued

[7] Advances for unemployment compensation administration certified to State agencies during fiscal year, including amounts reimbursed to War Manpower Commission for services and facilities provided to State agencies by USES. Excludes amounts for services and facilities furnished to USES by State agencies as well as unencumbered balances reallotted to State agencies. Totals include, but State figures exclude, expenses for postage.

[8] See column heads for period to which data relate.

[9] Excludes amount for services and facilities provided to State agencies by USES because WMC was not reimbursed for services rendered during this fiscal year. Also excludes expenditures for USES administered by Social Security Board, July–November 1942.

[10] Preliminary estimate. [11] Reporting units. [12] Less than 500. [13] Data not comparable.

Table 9.—*Special types of public assistance under plans approved by the Social Security Board: Number of recipients and average payment, June 1945, and total payments to recipients, fiscal year 1944–45, by program and State*

State	Old-age assistance			Aid to dependent children				Aid to the blind		
	Number of recipients, June	Payments to recipients		Number of recipients, June		Payments to recipients		Number of recipients, June	Payments to recipients	
		Average payment, June	Total, fiscal year (in thousands)	Families	Children	Average payment per family, June	Total, fiscal year (in thousands)		Average payment, June	Total, fiscal year (in thousands)
1942–43	2,170,090	$24.61	$616,569	302,582	743,005	$38.89	$148,747	53,752	$25.95	$16,300
1943–44	2,087,748	27.56	679,329	260,921	652,912	43.10	135,156	57,900	28.66	18,468
1944–45	2,038,440	29.46	701,951	255,577	646,575	47.46	138,084	55,465	30.27	19,802
Ala	31,948	15.51	5,840	5,077	14,045	25.04	1,468	757	15.93	145
Alaska	1,321	34.49	525							
Ariz	9,431	38.55	4,387	1,417	4,083	39.52	654	450	46.01	232
Ark	27,906	17.99	5,899	4,585	12,044	28.69	1,568	1,218	19.87	291
Calif	157,876	47.32	89,428	6,552	16,525	81.20	6,025	5,415	47.77	3,210
Colo	40,448	41.35	20,184	3,208	8,751	53.22	1,587	468	36.67	214
Conn	13,878	36.73	5,939	2,017	5,123	77.39	1,731	130	35.72	55
Del	1,297	15.84	254	271	779	67.88	200			
D. C	2,434	31.89	971	599	1,887	59.95	402	200	35.30	94
Fla	40,815	28.88	13,400	5,476	13,548	33.50	1,762	2,268	29.95	800
Ga	66,418	11.42	9,059	3,935	9,851	24.96	1,182	2,020	14.15	349
Hawaii	1,436	22.59	380	516	1,614	59.34	356	64	25.09	19
Idaho	9,638	30.22	3,513	1,191	3,198	36.44	561	206	31.44	80
Ill	121,529	31.93	46,249	19,826	47,443	49.87	10,431	5,149	33.73	2,034
Ind	55,184	25.61	17,048	6,053	14,109	36.47	2,808	2,025	29.66	764
Iowa	49,277	31.72	18,088	3,056	7,636	27.21	971	1,253	33.11	497
Kans	28,087	28.82	9,678	2,860	7,274	49.13	1,725	1,062	31.20	397
Ky	48,190	11.46	6,944	4,730	12,704	21.72	1,226	1,576	12.96	248
La	36,445	23.65	9,850	9,120	23,505	44.71	4,386	1,367	27.25	444
Maine	14,894	29.59	5,087	1,318	3,697	63.71	947	815	30.62	292
Md	11,556	27.77	3,831	2,875	8,251	37.53	1,243	438	31.22	161
Mass	74,561	42.76	37,529	7,161	17,632	80.32	6,628	959	44.39	478
Mich	84,357	36.65	30,249	12,591	30,417	60.25	8,886	1,261	34.46	503
Minn	54,820	30.12	19,659	4,697	11,889	41.91	2,453	947	37.68	406
Miss	27,537	15.42	4,932	2,837	7,293	25.91	878	1,456	22.18	328
Mo	100,406	23.36	27,887	10,913	28,080	33.72	4,330			
Mont	10,733	31.10	3,919	1,299	3,310	45.13	566	324	34.44	120
Nebr	24,108	28.74	8,121	2,220	5,185	32.79	945	447	29.34	151
Nev	1,919	38.42	889							
N. H	6,545	30.03	2,261	745	1,844	68.37	520	269	30.73	96
N. J	23,576	31.74	8,745	3,238	8,087	58.52	2,232	534	33.46	205
N. Mex	5,843	31.81	2,147	2,542	6,862	38.56	1,074	246	29.00	88
N. Y	103,550	34.79	43,501	18,948	44,120	74.58	16,546	2,920	39.13	1,320
N. C	32,743	12.50	4,676	6,118	15,747	24.79	1,706	2,334	18.63	474
N. Dak	8,722	33.32	3,394	1,468	4,078	54.96	923	113	32.33	45
Ohio	118,242	29.85	42,182	7,391	20,083	54.27	4,833	3,017	27.00	977
Okla	78,275	29.27	25,930	14,793	35,433	34.16	5,712	1,847	34.37	690
Oreg	20,040	35.37	8,196	1,244	3,018	79.46	1,111	370	46.25	199
Pa	82,675	30.00	29,335	21,913	58,240	63.71	15,196			
R. I	7,214	33.67	2,840	1,234	3,200	67.85	928	103	31.39	34
S. C	21,393	14.14	3,570	3,687	10,755	24.18	1,008	922	20.24	211
S. Dak	12,692	24.53	3,714	1,446	3,350	40.41	601	220	22.15	57
Tenn	37,917	16.08	7,520	11,008	28,682	30.23	4,042	1,537	19.99	371
Tex	169,812	23.90	45,097	11,096	24,291	20.80	2,692	4,625	24.36	1,341
Utah	12,871	38.73	5,826	1,847	4,890	73.24	1,595	127	38.90	62
Vt	5,158	22.30	1,316	576	1,481	34.51	228	144	28.49	52
Va	15,037	13.70	2,456	3,454	9,811	29.56	1,174	954	18.14	200
Wash	60,861	48.29	28,603	3,543	8,761	90.20	3,448	583	54.12	301
W. Va	18,543	17.98	4,005	7,128	19,875	32.67	2,699	823	20.98	217
Wis	44,923	29.14	15,587	5,475	13,318	54.92	3,722	1,400	29.36	498
Wyo	3,359	36.30	1,310	283	776	59.47	173	112	38.89	52

Table 10.—*Special types of public assistance under plans approved by the Social Security Board: Federal grants certified and total State expenditures and percent from Federal funds, by program and State, fiscal year 1944–45*

[Amounts in thousands]

State	Federal grants certified [1]				State expenditures for assistance and administration					
					Old-age assistance		Aid to dependent children		Aid to the blind	
	Total	Old-age assistance	Aid to dependent children	Aid to the blind	Amount	Percent from Federal funds	Amount	Percent from Federal funds	Amount	Percent from Federal funds
1942–43	$395,626	$319,176	$67,927	$8,523	$653,232	49.1	$162,350	40.3	$18,095	47.3
1943–44	404,942	340,776	54,402	9,764	720,357	47.6	148,041	38.3	20,592	47.5
1944–45	409,985	345,738	53,891	10,355	743,981	47.3	151,398	36.4	21,729	47.4
Ala.	3,932	3,114	739	79	6,195	49.5	1,619	49.3	160	50.0
Alaska	256	256			549	47.7				
Ariz.	2,800	2,328	360	112	4,568	50.4	721	50.0	247	43.5
Ark.	4,091	3,147	797	147	6,155	50.3	1,644	50.0	309	50.0
Calif.	41,538	38,478	1,684	1,376	93,680	41.2	6,745	25.3	3,491	40.0
Colo.	10,275	9,348	807	121	20,746	44.9	1,750	45.7	239	50.0
Conn.	3,148	2,749	374	26	6,185	46.9	1,808	24.1	58	47.0
Del.	213	137	76		293	45.6	236	32.2		
D. C.	638	461	128	50	1,080	46.1	465	35.9	102	48.4
Fla.	8,140	6,879	844	418	14,037	50.1	1,968	50.0	846	50.0
Ga.	5,654	4,803	653	199	9,879	48.1	1,288	49.9	397	49.4
Hawaii	362	203	147	12	447	44.5	412	35.5	23	49.8
Idaho	2,220	1,882	294	43	3,690	50.0	609	50.0	85	50.0
Ill.	27,995	22,924	3,909	1,161	48,686	49.7	11,283	38.9	2,201	49.8
Ind.	10,642	8,876	1,330	436	18,131	49.4	3,108	44.7	846	49.9
Iowa	9,404	8,619	529	256	19,036	48.8	1,088	50.0	533	50.0
Kans.	5,730	4,895	617	219	10,507	46.7	1,912	36.0	446	47.9
Ky.	4,404	3,668	611	126	7,379	49.4	1,309	50.0	267	50.0
La.	7,677	5,139	2,291	247	10,645	48.4	5,047	41.8	491	49.5
Maine	2,950	2,558	239	152	5,382	49.6	998	32.0	308	50.0
Md.	2,755	1,999	668	88	4,180	48.1	1,449	50.0	174	50.0
Mass.	18,359	16,476	1,665	218	39,910	42.2	7,139	24.2	507	43.7
Mich.	18,639	15,496	2,883	260	31,843	49.9	9,398	29.4	528	50.0
Minn.	11,572	10,233	1,133	207	20,653	50.0	2,711	42.3	453	46.0
Miss.	3,251	2,627	449	175	5,277	49.0	931	50.0	348	50.0
Mo.	17,012	14,631	2,382		29,531	49.6	4,665	50.0		
Mont.	2,526	2,163	298	65	4,182	49.2	623	47.8	134	49.8
Nebr.	4,637	4,053	503	81	8,569	49.8	1,034	50.0	162	50.0
Nev.	461	461			946	49.3				
N. H.	1,349	1,151	146	53	2,395	49.5	536	28.3	102	50.0
N. J.	4,946	4,067	763	116	9,650	45.9	2,467	32.2	239	49.0
N. Mex.	1,626	1,062	514	50	2,297	46.2	1,191	43.9	98	49.8
N. Y.	26,243	20,477	5,031	736	48,821	43.1	18,606	25.3	1,567	44.8
N. C.	3,683	2,424	970	289	5,085	48.3	1,913	50.0	576	50.0
N. Dak.	2,048	1,654	368	26	3,612	46.0	1,007	35.4	52	47.1
Ohio	23,815	21,412	1,839	563	44,353	49.9	5,367	34.9	1,143	49.9
Okla.	16,774	13,515	2,903	356	27,043	50.3	5,989	50.0	714	50.0
Oreg.	4,709	4,340	283	86	8,621	49.9	1,190	24.1	210	40.8
Pa.	20,363	14,877	5,486		31,885	48.2	17,047	32.7		
R. I.	1,651	1,416	218	18	3,035	46.4	1,001	27.7	38	47.1
S. C.	2,481	1,840	523	117	3,895	48.1	1,118	49.9	239	49.9
S. Dak.	2,202	1,873	300	30	3,933	49.6	654	47.4	61	49.9
Tenn.	6,279	3,934	2,150	194	7,947	49.7	4,303	50.0	388	50.0
Tex.	25,917	23,820	1,367	729	46,831	50.6	2,985	50.0	1,442	50.0
Utah	3,345	2,863	450	31	6,079	47.9	1,726	26.9	68	44.0
Vt.	780	640	111	29	1,379	50.1	241	50.0	58	50.0
Va.	1,952	1,193	637	122	2,808	45.9	1,401	48.1	235	50.0
Wash.	15,304	14,377	779	148	29,914	47.9	3,648	22.0	324	46.9
W. Va.	3,586	2,078	1,397	111	4,302	48.9	2,850	50.0	232	50.0
Wis.	8,881	7,455	1,177	249	16,317	50.1	4,001	31.8	535	50.0
Wyo.	767	669	71	26	1,417	48.0	197	38.9	55	47.0

[1] Amounts of Federal grants certified in fiscal year; differ slightly from fiscal-year expenditures from Federal funds reported by States.